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Canada - Railways, Canals and
Telegraph Lines, Standing Committee, 1951

SESSION 1951
HOUSE OF COMMONS

Government
Publications

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STANDING COMMITTEE
ON
No. 8
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

CHAIRMAN, Mr. L. O. BREITHAUPT.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 8

Bill No. 116 (Letter E of the Senate);
An Act Respecting British Columbia Telephone Company

MONDAY, JUNE 11, 1951
TUESDAY, JUNE 12, 1951

WITNESSES:

Mr. Sherwood Lett, K.C., Solicitor for British Columbia Telephone Company, Vancouver, B.C.
Mr. James Hamilton, Senior Vice-President, British Columbia Telephone Company, Vancouver, B.C.
Mr. Charles Brakenridge, Parliamentary Agent for the City of Vancouver, Vancouver, B.C.

OTTAWA
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WEDNESDAY, June 13, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

SEVENTH REPORT

Your Committee has considered Bill No. 116 (Letter E of the Senate) intituled: "An Act respecting British Columbia Telephone Company", and has agreed to report it with an amendment.

All of which is respectfully submitted.

F. P. WHITMAN
Deputy Vice-Chairman.

THURSDAY, June 14, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as an

EIGHTH REPORT

Consequent upon consideration of Bill No. 116 (Letter E of the Senate), intituled: "An Act respecting British Columbia Telephone Company", it is recommended that your Committee be empowered to make a special report on the question of extending the jurisdiction of the Board of Transport Commissioners to enable them, in approving or revising tolls and charges of a company under its jurisdiction, to investigate fully and take into account transactions relating to companies having an intercorporate relationship with such company, and to make recommendations in respect thereof.

All of which is respectfully submitted.

F. P. WHITMAN
Deputy Vice-Chairman.

MINUTES OF PROCEEDINGS AND EVIDENCE

MONDAY, June 11, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines met at 3.30 o'clock p.m. Mr. Whitman, the Deputy Vice-Chairman, presided.

Members present: Applewhaite, Beyerstein, Byrne, Browne (*St. John's West*), Darroch, Fulton, Goode, Green, Harrison, Hatfield, Healy, Herridge, Jones, Laing, Lennard, MacDougall, Macdonald (*Edmonton East*), McCulloch, McIvor, Mott, Murphy, Murray (*Cariboo*), Rooney, Shaw, Smith (*Queens-Shelburne*), Thomas, Weaver.

In attendance: Mr. Duncan K. MacTavish, K.C., Parliamentary Agent for Petitioners, Ottawa, Ont.; Mr. Sherwood Lett, K.C., Solicitor for Petitioners, Vancouver, B.C.; Mr. Gordon Farrell, President, British Columbia Telephone Company, Vancouver, B.C.; Mr. James Hamilton, Senior Vice-President, British Columbia Telephone Company, Vancouver, B.C.; Mr. Lionel Kent, C.A., of Riddell, Stead, Graham & Hutchinson, Chartered Accountants, Auditors of British Columbia Telephone Company, Vancouver, B.C.; Mr. Charles Brakenridge, Parliamentary Agent for the City of Vancouver, Vancouver, B.C.

The Committee resumed consideration of Bill No. 116, An Act respecting British Columbia Telephone Company.

It was agreed to hear Mr. Lett in relation to certain questions asked at the meeting of the Committee, Friday, June 8. Mr. Lett was heard and questioned.

The examination of Mr. Hamilton was continued.

At 5.35 the Committee adjourned to meet again at 8.15 o'clock p.m. this day.

EVENING SESSION

The Committee resumed at 8.15 o'clock p.m. Mr. Whitman, the Deputy Vice-Chairman, presided.

Members present: Applewhaite, Byrne, Darroch, Fulton, Goode, Gourd (*Chapleau*), Green, Harrison, Hatfield, Healy, Herridge, Jones, Laing, Lennard, MacDougall, Macdonald (*Edmonton East*), McCulloch, McIvor, Mott, Murphy, Murray (*Cariboo*), Rooney, Shaw, Smith (*Queens-Shelburne*), Stuart (*Charlotte*), Weaver, Whiteside.

In attendance: Same as indicated for the afternoon session.

The Committee resumed consideration of Bill No. 116, an Act respecting British Columbia Telephone Company.

Mr. Brakenridge, Parliamentary Agent for the City of Vancouver, was called.

Enquiry having been made as to the status of Mr. Brakenridge, the Deputy Vice-Chairman stated that Mr. Brakenridge was an accredited Parliamentary Agent in compliance with Standing Order 119 and, as such, was entitled to be heard.

Mr. Brakenridge was heard in opposition to the Bill before the Committee.

The question being raised as to the right of Counsel for the Petitioner to cross-examine Mr. Brakenridge, the Deputy Vice-Chairman ruled that Mr. Brakenridge, not being a witness in the ordinary sense, could be questioned by members of the Committee, but could not be cross-examined by opposing Counsel.

Mr. Brakenridge was questioned and retired.

It was agreed that Mr. Lett be heard in relation to questions asked at the afternoon session. Mr. Lett was heard and questioned.

At 10.45 o'clock p.m. Mr. Shaw moved that the Committee adjourn. The question having been put, the motion was resolved in the negative on a standing vote.

At 10.50 o'clock p.m. Mr. McCulloch, Vice-Chairman, took the Chair.

The Preamble was carried.

On Clause 1:

Mr. Fulton moved:

That Clause 1 of the Bill be amended by deleting the words "but no change in the rights or privileges shall be made unless the holders of seventy-five per cent in par value of the preference shares issued and outstanding agree to same", where they occur at lines 16 to 19 of the said bill, and substituting therefor the following words:

but no change in the rights or privileges of any class of preference or preferred shares shall be made unless the holders of seventy-five per cent in par value of the shares of such class issued and outstanding agree to same.

After discussion, and the question having been put, the said motion was agreed to.

At 11.05 o'clock p.m. the Committee adjourned to meet again at 11.30 o'clock a.m., Tuesday, June 12th, 1951.

TUESDAY, June 12, 1951

The Standing Committee on Railways, Canals and Telegraph Lines was called for 11.30 o'clock a.m. but, the division bells having been rung, the meeting was delayed until 11.50 o'clock a.m., at which time, a quorum having assembled, and Mr. Whitman, Deputy Vice-Chairman, being in the Chair, proceeded with the consideration of Bill No. 116, An Act respecting British Columbia Telephone Company.

Clause 1 as amended, Clause 2 and the Title were adopted. Thereupon, several additional members of the Committee having arrived and stating that they were unavoidably detained due to the division which had just taken place in the House, the Committee, by unanimous consent, reverted to Clause 2 of the Bill.

Members present: Messrs. Applewhaite, Bertrand, Beyerstein, Bourget, Byrne, Browne (*St. John's West*), Darroch, Fulton, Goode, Gourd (*Chapleau*), Green, Harrison, Hatfield, Healy, Herridge, Jones, Laing, Lennard, MacDougall, Macdonald (*Edmonton East*), MacInnis, McCulloch, McGregor, McIvor, Murphy, Murray (*Cariboo*), Richard (*St. Maurice-Lafleche*), Robinson, Rooney, Shaw, Smith (*Queens-Shelburne*), Weaver, Whiteside.

In attendance: Same as indicated for the afternoon meeting of Monday, June 11.

On Clause 2:

Mr. Green moved:

That Sub-clause 1 of Clause 2, line 15 thereof, be amended by deleting the words *seventy-five* and inserting the word "sixty" therefor.

At 1.00 o'clock p.m. the Committee adjourned to meet again at 3.30 o'clock p.m. this day.

AFTERNOON SESSION

The Committee met at 3.30 o'clock p.m. Mr. Whitman, Deputy Vice-Chairman, presided.

Members present: Messrs. Applewhaite, Beyerstein, Bourget, Byrne, Browne, (*St. John's West*), Darroch, Dewar, Follwell, Fulton, Goode, Gourd (*Chapleau*), Green, Harrison, Hatfield, Healy, Herridge, Jones, Laing, Lennard, MacDougall, Macdonald (*Edmonton East*), MacInnis, McCulloch, McGregor, McIvor, Mott, Murphy, Murray (*Cariboo*), Richard (*St. Maurice-Lafleche*), Riley, Robinson, Rooney, Shaw, Smith (*Queens-Shelburne*), Stuart (*Charlotte*), Thomas, Weaver, Whiteside.

In attendance: Same as indicated for morning sitting.

The Committee resumed consideration of Clause 2 and the proposed amendment thereto by Mr. Green.

After considerable discussion thereon, and the question having been put, the proposed amendment was resolved in the negative on the following recorded division:

Yeas,—Messrs. Beyerstein, Fulton, Green, Hatfield, Herridge, Jones, Lennard, MacInnis, Murphy, Shaw, Thomas.—11.

Nays,—Messrs. Applewhaite, Bourget, Byrne, Darroch, Dewar, Follwell, Goode, Gourd (*Chapleau*), Harrison, Healy, Laing, MacDougall, Macdonald (*Edmonton East*), McCulloch, McIvor, Mott, Murray (*Cariboo*), Richard (*St. Maurice-Lafleche*), Robinson, Rooney, Stuart (*Charlotte*), Weaver, Whiteside, Whitman.—24.

The Deputy Vice-Chairman having voted on the amendment, and the question being raised as to the right of the Chairman of the Committee to vote, the Deputy Vice-Chairman quoted the relative portion of Standing Order 106:

"All questions before Committees on private bills are decided by a majority of voices including the voice of the Chairman".

Clause 2 and the Title were adopted.

The Bill, as amended, was adopted and the Chairman ordered to report the same to the House.

Whereupon, Mr. Green moved:

That the Committee recommend that consideration be given to extending the jurisdiction of the Board of Transport Commissioners to enable them, in approving or revising tolls and charges of a telephone company, to investigate fully and take into account transactions relating to companies having an intercorporate relationship with such telephone company.

The Deputy Vice-Chairman ruled on the proposed motion as follows:

Last evening the question of making a recommendation in a report to the House, to the effect that the powers of the Board of Transport Commissioners be enlarged, was raised by Mr. Green and Mr. Herridge, and I reserved any decision I might make.

On a previous occasion I ruled that the subject of amending the Charter of the Company was out of order. I quoted at that time from Beauchesne's 3rd Edition, citations 537 and 785.

I have since had an opportunity of looking up the authorities and for the benefit of the members of the Committee I shall again read citation 537.

A committee can only consider these matters which have been committed to it by the House.

A committee is bound by, and is not at liberty to depart from, the order of reference.

In the case of a select committee upon a bill, the bill committed to it is itself the order of reference to the committee, who must report it with or without amendment to the House.

When it has been thought desirable to do so, the House has enlarged the order of reference by means of an instruction or in the case of a select committee upon a bill by the committal to it of another bill. Mandatory instructions have also been given to select committees restricting the limits of their powers or prescribing the course of their proceedings, or directing the committee to make a full report upon certain matters.

Sometimes a committee may have to obtain leave from the House to make a special report when its order of reference is limited in its scope.

I would also bring to the attention of the members of the committee a ruling made by Mr. Speaker Lemieux, dated June 10, 1928, wherein he deals with a motion for concurrence in a report of a Standing Committee, and I quote from that ruling:

The motion is not in order, nor is the report, because a committee can take cognizance only of matters which are referred to it. The matter which is the subject of recommendation in this report was not referred to the Committee by the House. I rule that the motion is not in order.

From the authorities I find that generally speaking it is within the power of the committee to make recommendations, provided that they are made within the ambit of the terms of the Order of Reference. But it would seem to me that, having regard to citation 537, and the Speaker's ruling just quoted, any recommendation or amendment along the lines indicated is beyond our order of reference and therefore not in order. I would point out to the committee, however, that under citation 537 it is competent for the committee to obtain leave from the House to make a special report when its order of reference is limited in its scope.

I am completely in the hands of the committee in this matter. From the authorities I am obliged to rule any recommendation or amendment of this nature out of order, but is it the wish of the committee to ask leave to make a special report to the House in this matter?"

The proposed motion having been ruled out of order, thereupon Mr. Green moved:

That the Committee request instructions to consider the question of extending the jurisdiction of the Board of Transport Commissioners to enable them, in approving or revising tolls and charges of a company

under its jurisdiction, to investigate fully and take into account transactions relating to companies having an intercorporate relationship with such company, and to make recommendations in respect thereof.

A discussion arising on the proposed motion the Deputy Vice-Chairman ruled on the proposed motion as follows:

Before this debate goes any further, I think there should be a ruling as to whether the request is in order or is not in order. We have been given a bill to report on, and I find in Beauchesne, second edition, at section 621, the following:

A committee can only consider those matters which have been committed to it by the House. If it be desirable that other matters should also be considered, an instruction is given by the House to empower the committee to entertain them.

Again, in Beauchesne, in the third edition: Citation 527:

Sometimes a committee may have to obtain leave from the House to make a special report when its order of reference is limited in its scope.

I think, from those two citations, it would be considered that this request by the committee is in order. I believe we can make this request to the House and be perfectly in order. Therefore I rule the motion in order, and we will go on with the debate.

The discussion continuing, and the question having been put, it was resolved in the affirmative.

Ordered,—That the Chairman make a separate report to the House recommending that the Committee be empowered to make a special report on the question of extending the jurisdiction of the Board of Transport Commissioners to enable them, in approving or revising tolls and charges of a company under its jurisdiction, to investigate fully and take into account transactions relating to companies having an intercorporate relationship with such company, and to make recommendations in respect thereof.

At 5.30 o'clock p.m. the Committee adjourned to meet again at the call of the Chair.

R. J. Gratrix,
Clerk of the Committee.

EVIDENCE

HOUSE OF COMMONS,

JUNE 11, 1951.

The DEPUTY VICE-CHAIRMAN: Gentlemen, order. The committee will resume the discussion of Bill No. 116, Bill E of the Senate, intituled an Act respecting British Columbia Telephone Company.

Before we begin I think Mr. Lett has answers to some of the questions we asked him last week and which he would like to answer before we recall Mr. Hamilton.

Mr. APPLEWHAITES: In spite of the committee's generous action last week, Mr. Gordon Farrell, president of the company found it possible to remain here in Ottawa so he is still here if he is needed.

Mr. Sherwood Lett, K.C., Solicitor, City of Vancouver, called:

The WITNESS: At the last meeting there were three questions asked for which I have the information available. The first question was the dates and prices at which the various shares of the British Columbia Telephone Company were issued since the increase of capital in 1947. Under Board Order 70686, dated 25th of May, 1948, authorization was given for the issue of 35,000 four and three-quarter per cent preferred shares at not less than \$100 per share, and by the same order, 15,000 ordinary shares at a price of not less than \$125 per share, which were sold at \$125.

The DEPUTY VICE-CHAIRMAN: Order, please, gentlemen, order.

The WITNESS: Under date of October 23, 1950, Board Order 75391, 30,000 preferred shares were authorized at not less than \$100 per share; 20,000 ordinary shares at not less than \$125 per share, which ordinary shares were issued at \$132.50 per share net to the company, according to my information. Thirdly, on April 4, 1951, Board Order 76361 authorized 10,000 preferred shares at not less than \$100 per share; 40,000 ordinary shares at not less than \$132.50 per share, which were issued at \$132.50 per share net to the company.

Question No. 2 was to give a statement of the estimates for 1949 and 1950 as against what was actually spent for the years 1949 and 1950, and the figures are as follows: 1949 estimated expenditures shown in the evidence given by Mr. Farrell, \$7,783,505. The actual expenditures, as shown, were \$6,698,421. For the year 1950 the estimate had been given as \$6,213,495, and the actual expenditure was \$6,395,971, which involved a carried over commitment at the end of the year of \$8,715,769.

In connection with the question No 1, the orders of the board are available if any member of the committee would like to examine them. I do not think it is necessary to file them unless the committee wishes.

The third question that was asked I think it was by Mr. Byrne, one of the honourable members was as to the amount which was paid by Anglo-Canadian Telephone Company to the Gary group or the Gary companies, and I said I thought that was found in the transcript of the proceedings before the rate inquiry. I found that it is contained in the transcript of the proceedings of the Board of Transport Commissioners, the application of the British Columbia Telephone Company in re Increases in Charges, dated January 16, 1950, volume 6, at page 897. Mr. Chaney is under examination at that time, Mr. Chairman. I will read his evidence:

Q. Mr. Chaney, will you give your full name and address?—**A. Mr. E. Chaney, Chicago, Illinois.**

Q. What is your official position with the Anglo-Canadian Telephone Company?—**A. I am a vice president and director.**

That quotation is from page 882. I am reading now from page 897.

Q. What did Anglo-Canadian pay for them? That relates to services under the service contract.—**A. Anglo-Canadian Telephone Company paid through service agreement into the Gary group, currently it is paying, around \$200 a month and under another contract \$750 a year.**

That is the end of the quotation; it is not the end of the answer to the question but the transcript runs on. I think that answers the question that was asked.

Mr. GREEN: That is a total of \$3,150.

The WITNESS: \$3,150, twelve months at \$200 and the other contract at \$750 a year, making a total of \$3,150 a year. I may say, Mr. Chairman, that the same witness, Mr. Chaney, deals in the evidence in this volume, from page 882 and on first of all with the cost of providing those services and the allocation of that cost to the various companies of the Gary group. If the committee is interested in having that information it shows that that cost was allocated by the Gary group by the estimates of Mr. Chaney on various bases.

Mr. MOTT: I think it is necessary that we have that information because the thought has been left in our minds here that, outside of \$3,000, the \$184,000 which was paid out was more or less a gift—that is this 1 per cent or $1\frac{1}{2}$ per cent. I think we should have on the record what the B.C. Telephone Company has paid Anglo Canadian over the last four or five years, together with an idea of what the money has been spent for. Most of us know that it is for certain patent rights and so on, but all we have is this \$3,000 here and it does not show up well on the record.

The DEPUTY VICE-CHAIRMAN: Do you wish to add anything more, Mr. Lett?

The WITNESS: If the members want to know how this is made up, the evidence of Mr. Chaney refers to the total costs of the Gary group for providing that service to the various companies; and then it shows how the allocation can be made on various bases. He arrives in this evidence at an estimate of the costs of rendering this service and the allocation to the British Columbia Telephone Company?

The DEPUTY VICE-CHAIRMAN: Would not the total cost be sufficient, Mr. Mott, and Mr. Green?

Mr. MOTT: Well, as long as it is clear on the record, but we have only \$3,000 against this other figure now.

Mr. GREEN: The whole story is very clear up to date. It is that the British Columbia Telephone Company in 1949 gave Anglo Canadian \$189,000 odd, and in the same year Anglo Canadian only paid the parent company \$3,150. Now, that is the story to date.

The WITNESS: I believe that is the information that has been put on the record. Perhaps, as the gentleman says, as there are only a few pages of this it would help the committee and I would be glad to read these pages.

The DEPUTY VICE-CHAIRMAN: Is it the wish of the committee to put this on the record?

Mr. GREEN: If we have the privilege of questioning. As I understand it, what Mr. Lett is going to read now is the breakdown of what the parent company charges to subsidiary companies. It has subsidiaries in the Phillipines and there are various other subsidiaries. That has got absolutely nothing to do with the British Columbia Telephone Company but I have no objection to it being read into the record as long as I can cross-examine.

Mr. GOODE: Could you not table that, Mr. Lett, rather than having us sit here and listen to you read it—as much as we would like you to read it? Could you not table it?

The WITNESS: I would be prepared to have an extract made if that would meet the committee's wishes. My thought in mentioning it is that it seemed to me that having read part of the evidence at the request of a member—the only place I know of which has the figure \$3,150,—that it would seem fair to that particular witness and to the applicant that the allocation of these costs and the actual cost of providing this service should be before this committee; and that the committee should know that it cost somebody something to provide those services. That is my point.

Mr. GOODE: Could I suggest that Mr. Lett have an extract made and, if it is only six or seven pages we could have it put in the transcript.

Mr. GREEN: It cannot be put in the transcript without an explanation and without an opportunity of cross-examining on it. If it is going in the transcript it should be read and we will be able to cross-examine. On the face of it it looks as if the telephone users of British Columbia have paid \$181,000 for a service which Anglo Canadian did not itself render and for which Anglo Canadian paid the Gary people \$3,150.

Mr. APPLEWHITE: I do not know that I am anxious to get into this argument and I hate to be in the position of saying: "I told you so" about these contracts, but they have been introduced at the insistence of certain members. If certain other members would like to have the whole picture then I think this should be read because it gives that picture. We should have the whole thing read and discussed.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee that this be read into the record?

Agreed.

The WITNESS: I would like to make it clear that I am reading from the official transcript. I am not giving evidence myself, I am reading from the official transcript and if there are any further questions that arise they will have to be answered. I am reading now from volume 6, page 883 of the transcript. I will start at the bottom of page 882:

Q. Would you just tell the Board what facilities, if any, the Anglo Canadian Company has in order to fulfill the requirements under that agreement?—A. The Anglo Canadian Telephone Company does not itself maintain a staff or the facilities for rendering the advice or technical services required under this contract. It does, however, have an arrangement with affiliated American companies who do have the technical skill and services and through these means, you might say, the technical skill and services are made available to the British Columbia Telephone Company.

Q. And who are these affiliated companies to whom you refer?—A. The affiliated companies are a group of companies who are owned directly or indirectly by Theodore Gary Company, a Missouri Corporation. A group of companies in this so-called group—I might identify it first by saying that the group is known as the Gary Group and it is commonly known throughout the telephone industry as the Gary Group and commonly referred to. In this group is a group of telephone companies who are known as third in size in the United States. Of course, the Bell system is first in size; The General Telephone Corporation is second in size and the Gary Group is third.

Q.—And how long has the Gary Group been engaged in telephone operations?—A. More than forty years, that I know of.

Q. Are they engaged in telephone operations in countries outside the United States?—A. Yes, they are.

Q. How many telephone companies outside the United States?—A. Well, there are about nine companies, I think.

Q.—Where are they?—A. They are in British Columbia, Philippine Islands, Colombia, South America and the Dominican Republic.

I do not want to be accused of omitting anything. If the honourable member is following the transcript, I will read anything he wishes, but to save the time of the committee I thought I would go to page 884:

Q. Then, is the Gary Group engaged in telephone operations in the United States?—A. Yes, they are, they control about 31 telephone companies operating in eighteen states.

Q. And about how many communities and how many telephones would be involved in these operations in the United States?—A. There are 478 communities and the companies operate, I would say, about 450,000 to 455,000 telephones.

Q. Are any of those companies involved in the operation of radio?—A. Yes, there are; companies carry on radio operations in British Columbia; they have radio operations in the Philippine Islands, the Dominican Republic and they have a radio company in Port-au-Prince, Haiti.

Q. Then, does this Gary Group to which you refer maintain a laboratory?—A. Yes, their largest laboratory is in Chicago where they engage about 60 engineers and technicians who devote, I would say, all of their time to research and development and work pertaining to the improvement in all types of communications equipment.

Now, I will go to page 886:

Q. Can you give the Board any idea of the cost to the Gary Group of giving to the British Columbia Telephone Company the advice and assistance called for under this service contract?—A. Yes, I can.

I may say this, that while it is difficult in a situation of this kind to make any exact determination of the cost of giving these services to any particular telephone company in the group, I have however, made an estimate.

Now, in making this estimate I have taken the salaries of all of the people who devote one hundred per cent of their time to the giving of advice and assistance to these telephone companies and when I say "these telephone companies" I mean including the British Columbia Telephone Company as well as the others. To this I have added the cost of their secretaries. I have also added their office rent, telephone and Group Insurance and all of the things that attach themselves to the payroll as well as other office facility expenses.

Then, I have taken this second group who do not devote all of their time to the giving of advice and assistance to these telephone companies and I have taken the salaries of those people. I have taken the cost of their secretaries and their office rent, facilities, and other associated expenses, and I have arrived at a total of that and then to be conservative, I have taken one-fourth of that cost and I have added it to the cost of the people who devote all of their time in rendering advice and assistance and I come up with a figure of approximately \$500,000 or a little bit less.

Now, the problem, once you arrive at that point, you have got to make some allocation, you might say with the British Columbia Telephone Company. You have asked me what the cost has been. I am trying to show here the means in which I have determined it.

Now, in order to find that cost, the best means I know of is by means of allocation. Now, in the telephone business, when you get at that point, there is more than one method that can be recognized.

One is the ratio of telephones of the British Columbia Telephone Company to the whole. Well, the British Columbia Telephone Company at the time I made these particular percentages had about 220,000 telephones. The total telephones in the so-called group, telephone operating group, was, as I recall, about 700,000. 220,000 is 31 per cent of the total telephones.

Now, if we use that method we would apply 31 per cent to the \$500,000 and you arrive at a figure of \$155,000 as being the cost of rendering the services, if you use this as a method.

Now, another method, it is not uncommon in the telephone business to use the ratio of the revenues. Well, in 1948, according to the company's year-end report it had \$12,000,000 plus of revenues.

Mr. NORRIS: Who had this?

The WITNESS: The British Columbia Telephone Company. The total gross revenues for all of the telephone companies in the group was \$34,500,000. If you use the ratio of the revenues to the whole you arrive at a percentage of 35 per cent.

Now, if you apply 35 per cent to the \$500,000 you come to a figure of \$175,000 as being the cost to be allocated to the British Columbia Telephone Company as their part of this total cost.

Another method is to use the gross plant values and determine the ratio of the gross plant value, say, of the British Columbia Telephone Company to the gross plant values of the telephone companies in the group.

As at December 31, 1948, the British Columbia Telephone Company's gross plant value was a little in excess of \$49,000,000. The gross plant value of all of the telephone companies in the Gary group was \$128,300,000.

Now, if we take the ratio of the gross plant value of the British Columbia Telephone Company to the gross plant value of the group as a whole we arrive at a percentage of 38 per cent. Now, if we apply 38 per cent to the \$500,000 you get a figure of \$190,000.

Another method is to use a composite of those three. If we use a composite, the composite comes back to the 35 per cent or a cost of \$175,000

I would be prepared to agree with any one of those four methods.

Now, I want to point out in this connection that while I have taken an estimate as explained for the cost of operating the advisory services of the Gary Group, I have not included anything for the cost of operating the laboratory which costs about \$275,000 a year.

Q.—And this \$275,000 which you now mention, you say is not included in those figures which you have given earlier?—A. No, it is not. It is not included in my calculation. I merely point that out, that there is another factor to consider, that is the cost of operating the laboratory.

Q.—And are the benefits from the laboratory available to the British Columbia Telephone Company?—A. They are available, and as I understand it they have made use of them from time to time.

Q.—Well, Mr. Chaney, would you say that the services rendered to the British Columbia Telephone Company under this agreement are substantial?—A. I would say so, yes.

I think, Mr. Chairman, that answers the question.

By Mr. Green:

Q. Mr. Chairman, may I ask Mr. Lett whether there was any contract between the British Columbia Telephone Company and the Gary Company with regard to these services?—A. To the best of my knowledge there was no service contract between the Gary Company—you mean the Gary Group?

Q. Yes.—A. As far as I know the contract of the British Columbia Telephone Company was with the Anglo Canadian.

Q. Any contract with which the British Columbia Telephone Company could be involved at all was between the Gary Group and the Anglo Canadian, was it not?—A. Would you mind repeating that? As I understand it, Mr. Green, the contract under discussion here, being discussed by Mr. Chaney, was a contract between the British Columbia Telephone Company and the Anglo Canadian Telephone Company.

Q. Perhaps I can do it another way: there was a service contract between the British Columbia Telephone Company and the Anglo Canadian under which, in 1949, the British Columbia Telephone Company had to pay \$181,500?—A. Or some such amount.

Q. Approximate to that figure?—A. Yes.

Q. There was no contract between the British Columbia Telephone Company and the Gary group.—A. Not to my knowledge, no, I do not think there was.

Q. And the Anglo Canadian Telephone Company paid the Gary group for this same kind of services \$3,150? That is all that the Anglo Canadian had to pay to the parent Gary group?—A. I would prefer to stick to Mr. Chaney's evidence when he said the amount paid totalled \$3,150, and I quote:

A—Anglo Telephone Company paid through service agreements into the Gary Group, currently it is paying around \$200 a month, and under another contract \$750 a year.

—That is a total of \$3,150.

Q. They paid 12 monthly payments of \$200, which would make \$2,400, and they paid an additional \$750, which, added to the \$2,400, made a total paid by the Anglo Canadian to the Gary group of \$3,150.—A. That is correct from this evidence.

Q. And the Anglo Canadian, that evidence you have just read discloses, had no facilities for rendering this service themselves?—A. As far as I know they had not. I am not in a position to give that evidence, but as far as I know they had no facilities.

Q. Your witness, whom you have quoted, took several different methods of working out a percentage which should be paid by the British Columbia Telephone Company: I think in each case basing it on all of the Gary Companies; for example he said because the British Columbia Telephone Company had a certain percentage of the phones that, therefore, it would be fair to say that they should pay that percentage of the estimated costs that the Gary group had for providing services of this nature.—A. I think the evidence, extracts of which I read, said this: That he determined the overall cost at approximately \$500,000, and then he says an allocation of these costs on any one of these three bases would result in an allocated cost of \$155,000, \$175,000 or \$190,000—whatever the figures are.

Q. This includes phone companies in the Philippines, phone companies in South America, phone companies in the Dominican Republic, and phone companies in the United States?—A. Yes, those are in the Gary group.

The DEPUTY VICE-CHAIRMAN: They were included in the \$500,000; is that right?

By Mr. Green:

Q. The British Columbia Telephone Company at the time it was taken over by this Gary Group was a telephone company functioning efficiently with all its own—was able to provide all its own services such as those for which it is claimed this fee was paid?—A. Are you asking me that, Mr. Green?

Q. Yes.—A. I do not know. I am not familiar with the history of the company when it was taken over by the Gary Group. The evidence at the hearing just said that the British Columbia Telephone Company did not maintain its own laboratories or research departments. I am not competent to give evidence as to what existed when the Gary Group took over the British Columbia Telephone Company.

Q. But in any event the Gary Group did not see fit to have any contract under which they charged this amount either to the Anglo-Canadian or to the British Columbia Telephone Company.—A. Is that a question you are asking me?

Q. Yes. Is that not right?—A. Would you mind putting your question again, please?

Q. The Gary Company in spite of the expenditures which they claim they made did not see fit to have any contract for those services with either the Anglo-Canadian Telephone Company or with the British Columbia Telephone Company?—A. I would not say that that was correct. From the evidence I have read, there was some kind of a contract between the Gary Group and the Anglo-Canadian set-up.

Q. There was no contract with the British Columbia Telephone Company. Is that not correct?—A. Contract with whom?

Q. Contract with the Gary Group.—A. I have already said that so far as I know there was no contract with the British Columbia Telephone Company relating to the services of the Gary Group.

Q. But in so far as the relationship between the Gary Group and the Anglo-Canadian Telephone Company was concerned, whether or not they had a contract, the only payment levied or charged was \$3,150?—A. The only amount shown as having been paid by the Anglo-Canadian Telephone Company to the Gary Group was \$3,150, yes, according to this evidence.

Q. And by the way, was this payment of \$181,000 odd which was collected by the Anglo-Canadian Company from the British Columbia Telephone Company allowed as an expenditure for income tax purposes with respect to the British Columbia Telephone Company?—A. No, I do not think it was. I think the Judgment of the Board deals with that point, but I do not think it was.

Q. I shall read to you from the Judgment of the Board on that point:—

Reference has been made to the disallowance of the payments under the contract as an expense deduction for income tax purposes. The company stated that this disallowance was due to lack of approval by this board. This may well be the case inasmuch as it is the board's understanding no such disallowance occurs with respect to the similar contract of the Bell Telephone Company. In any event it is not this board's functions to determine the reasonableness of tolls based upon whatever rulings may be applied by other legislation.

—A. I do not want to argue with Mr. Magill in view of the fact that he is not present, but the Judgment is clear in respect to Mr. Magill and I quote from page 240 of the Judgment, a paragraph or two ahead of the spot where Mr. Green read. He said as follows:—

Responsible and admittedly honest and sincere officials of the company testified to the unqualified value of the service to the company, that it was difficult to place a dollar value on such service, and that it was essential to the successful continuance of providing telephone service.

As opposed to this testimony we have only the opinion expressed by Mr. Magill, witness for the City of Vancouver, that he would doubt the expenditure for the provision of the service, that he believed the company, with its staff and technical information available, could operate "without payment of a percentage of its revenue to some parent company".

The conditions of, and the objections made to, the contract here under review are so similar to those discussed in our 1927 Bell Telephone Company Judgment that they hardly require further discussion.

In my opinion, the contract is bona fide and is a means whereby the company obtains valuable patent rights, and expert service. Witness Magill admitted on cross-examination "that there are occasions when you need technical and expert advice—but I do not believe that it is necessary for the British Columbia Telephone Company to rely on any particular service organization for that service".

That was Mr. Magill's evidence. The Board says "reference has been made to the disallowance". That is the only answer I can give.

Mr. FULTON: Have you any figure or table of figures in reply to the question of how many shares Anglo-Canadian presently holds? I do not recall whether you have actually given it.

The WITNESS: Yes. I did table it the other day.

The DEPUTY VICE-CHAIRMAN: If it is in the evidence, it is all right.

The WITNESS: I did table them. The actual figure is 62,200.

The DEPUTY VICE-CHAIRMAN: Shall we now recall Mr. Hamilton and go on with our work?

Mr. MURPHY: Did the witness table the answers to the questions I asked him the other day?

The WITNESS: Yes. I think I made a note of them.

The DEPUTY VICE-CHAIRMAN: He tabled quite a bit of information before you came in today, Mr. Murphy.

The WITNESS: I think you asked about prices and I read them into the record in answer to the first question when we opened this afternoon.

Mr. MURPHY: Well, that is fine

The DEPUTY VICE-CHAIRMAN: Shall we now recall Mr. Hamilton?

Mr James Hamilton, Senior Vice-President, British Coulmbia Telephone Company, recalled:

The DEPUTY VICE-CHAIRMAN: At the last meeting I think we were questioning Mr. Hamilton and we had a very extensive geographic period first and then we got some information from Mr. Hamilton.

By Mr. Laing:

Q. Mr. Hamilton, as I understand it Mr. Green apparently asked for the circulation of certain exchange service rates which were provided us by the British Columbia Telephone Company and by the Bell Telephone Company. I do not know whether this material is of any concern to us, but if it is going to be included, I would like to have comparable city rates for Montreal, Toronto, Winnipeg, Edmonton, and Regina to be included with this material.—A. Yes, I can get that for you.

Q. That is, for a like type of service.—A. Yes. There they are. The types of service are to be found across the top. Can I give you one example and maybe that would answer your question?

Let us take, for example, the 40,000 to 80,000 stations. That is the group in which Victoria falls. That is information which is presently in this statement here where it shows the number of stations in operation under any one of these groups, and I believe you will find Victoria had some 33,000 stations at the end of 1950. Victoria would be in the group numbered 8, that is, in group 8.

The rate there for an individual business line is \$7.35, in the case of the British Columbia Telephone Company, and in the same comparable group which is given there for 20,000 to 50,000 in the case of the Bell Company, the rate is \$8.

I shall just deal with the main line. We come along then to the resident individual rate in that particular case which is \$3.65 for the British Columbia Telephone Company, and \$4 for the Bell Telephone Company. It is \$3.25 for the Bell Company two-party line, and \$2.95 for the British Columbia Company. The number of stations there are in any particular town that you want is shown in this list here.

Q. I do not think you understood my question, Mr. Hamilton. I said I doubted if this material was of any concern to this committee, but that if it was, I thought we should also have on the record the comparable cost for the various services for such cities as Montreal, Toronto, Winnipeg, Edmonton and Regina.

Mr. JONES: Would not No. 10 cover it?

The WITNESS: I have not got that information with me here today. I am sorry. But I can get it for you.

By Mr. Laing:

Q. That would be additional for the cities of Montreal, Toronto, Winnipeg, Edmonton and Regina.—A. I have not got all the stations because they fall into different groups. But I shall endeavour to get them for you. However, it would take quite a few days to do it. I have only got the data in so far as British Columbia is concerned and the number of stations in that group.

Q. The other day we were speaking of the number of phones in service prior to 1947, at which time your capitalization was increased from \$11 million to \$25 million. And at that time there were about 165,000 phones in service.—A. In 1947? I do not have the data here for the end of that particular year, I am sorry.

Q. There were an additional 83,000 phones put in.—A. At the end of May 1945 there were about 159,000 or approximately 160,000 stations in service at that time.

Q. In 1945?—A. Yes, and we would probably have an increase of, let us say, 35,000 over and above that, so there would be 195,000 stations in service at the end of 1947. That is approximately right.

Q. So with the increased expenditure of some \$25 million, we have gained 83,000 telephones?—A. No, not since 1947. Since 1947 we only gained a little less than 60,000, I mean for the three years 1948, 1949 and 1950. The 80,000 which you quote is for the full period since the end of the war.

Q. That would be an expenditure of how much new capital?—A. 1947 and 1948—almost \$25 millions, with commitments in addition to that, oh yes; \$25 million.

By Mr. Goode:

Q. Did you say 60,000 telephones?—A. Yes sir.

Q. Your application says 90,000.—A. That is from the end of the war. I must have been wrong in my understanding of the question. But I thought it was from the end of 1947 when we were accorded a raise.

By Mr. Laing:

Q. The other day I think Mr. Farrell indicated his belief that you would expend \$110 million in the next seven or eight years. Subsequently I think you suggested that it was too modest, and that you estimated that the same amount of money would be expended in less time.—A. Yes, that is quite so.

Q. Would that be a five or six year period?—A. I would not like to hazard a guess; but might I answer you in a sort of horseback answer, as it were?

Q. Yes.—A. You have mentioned the increase gained from 1947 to 1950 shown in these figures submitted and used, I believe, by the sponsors. These figures were prepared as factual figures for the sponsors of this bill in both the Senate and in this House. I have told you that roughly we spent in that period \$25 million. That is actually cash expenditure; while in addition to that, we had commitments and orders on hand for some \$8,700,000 at the end of that period because we were lacking in deliveries and away behind our placements. If we gain 60,000 stations by the expenditure of \$25 million, which is my estimate, then we will gain in the next ten years—because ten years is the period which has been used throughout I believe—sufficient to take up the backlog of some \$23,000 or \$24,000 which we have got now.

I thought I gave figures which are in the record of our monthly demand accumulating at the rate of over 2,000 per month on the average. That would give 25,000 net new installations per year, and in ten years it would mean 250,000. I think that is a modest estimate; and if it cost us \$25 million to get 60,000 stations, you can just take that and multiply it and that is the answer.

Q. Some of your new money is going to be used for up-grading to a greater extent than you allowed for in the past?—A. I amplified that by saying that that is not taking into consideration certain up-gradings and other factors. There is another element which comes into this thing. I mentioned something in connection with defence. There will probably be large sums we will have to take into consideration for that purpose and there will be other facilities which we will be called upon to provide in connection with civilian defence; and that has still to be divulged.

Q. If this \$110 million is going to be expended over the next few years, how many phones do you expect in operation let us say, six years from now?—A. I cannot say how many we expect to have in operation because I would be answering that without knowing what the conditions will be with respect to national and international factors in that six year period. But on the assumption that we were in a normal period, I would say that to take care of the backlog and to do the job, I hope I have given sufficient reasons to substantiate the figure I am going to quote. I would say that on the average in the next six years, if we are going to give the service that the British Columbia Telephone Company should be giving and which the public of British Columbia deserve to get, we should be able to put in, or we should put in not less than about 150,000 to 175,000 new phones in the next six years, if we were to do the job. And that is not taking into consideration the up-grading and the marginal work, to get the plant margins on a reasonable basis in readiness to meet service conditions.

Q. Is it in the nature of the business that we are going to have to have increases of capital for these installations?—A. You cannot get away from it. Evidence has been given by companies larger than ours in regard to these increasing rising costs; and the same factors that affect all those other companies certainly impinge on the British Columbia Telephone Company.

Q. Can you give me a rough idea, an estimated idea, of the influence that capitalization has percentagewise on the telephone bill?—A. None whatsoever.

Q. There is no estimate?—A. The capitalization does not.

Q. The capital invested?—A. One thing is issued capital and the other is authorized capital, which has nothing whatsoever to do with it.

Q. But if I said capital invested?—A. Oh, on capital invested, yes. Capital invested requires carrying charges on the moneys provided by the public in competition with all other companies and industries to get these funds for their particular purposes, at rates that have been approved by the regulatory body created by this parliament.

Q. But what percentage change would it make in the rates? Would it be as much as 20 per cent?—A. That would be rather hard to say. You have got to

service and protect that capital, I mean your dollar and my dollar; and as it wastes, you have got to put something back. You have got to put back either cash or new capital.

Q. Do you think it would be higher than 20 per cent?—A. I would say it would be somewhere between 10 per cent and 12 per cent. But I would like to ask my chartered accountant who is here. (Would you agree with that statement, Mr. Kent?) Yes. It would be around 10 per cent, or maybe a little higher.

Q. But with the improvement and the expectation that we are going to get higher capital, that figure would go up, would it not?—A. It would go up measured by the experience of past costs. In other words, it cost \$100 in 1939 to create a particular unit of plant. Relatively that \$100 is now \$200 and in some cases \$250 to create the same piece of equipment, let us say, be it a pole or some installation, no matter what it is.

Q. All other things being equal, we have got to be reconciled to higher telephone rates as time goes on?—A. Yes, that is so.

Q. And as you do more pioneering in the province, would you expect that pioneering to be reflected in the over-all rates? When you go into a new area, the established areas have to carry the costs?—A. It is not a serious thing. It is an element that has to be taken care of, not only the British Columbia Telephone Company, but I would think every other company which operates on a provincial-wide basis. You have got to take the fat along with the lean, and we do that when we take a share of it. That is a normal process. Of course you would not go on making installations in some area that could not be sustained from any angle. Every problem and every installation, you might say, is a problem in itself with sensible and common sense factors which have to be applied when you are faced with it. Does that answer your question?

Q. Yes, thank you. Now, in the City of Vancouver you were in the process of installing dial phones when the war started?—A. Yes sir.

Q. And you got part way between dial and manual operating?—A. That is right.

Q. And we still have some manually operated phones there?—A. Yes, more manual ones than we have automatic ones.

Q. And this is 12 years after wartime.—A. That is right.

Q. How can we look forward towards bringing the rest of that system in? How long have we got to wait?—A. I am very pleased you asked me that question. In 1928 and 1929, first of all, we started in with a program of automation which would have carried through.

Q. The reason I ask you the question is that the minor borough of New Westminster is ahead of us.—A. No, no.

Q. No? Then is it Cloverdale?

Mr. Mort: No. It is Chilliwack.

The WITNESS: In 1930 we had commenced a program of automation in the normal way. Then the depression hit us and we started to lose telephones and so forth; and we were asked by the city authorities not to do anything which would minimize the use of labour and throw operators out of work and so on. So we postponed the automation program and sat still until around 1937 when we took it up again. That was a time when we were more or less beginning to crawl out of the depression. We proceeded with our engineering and all the rest of it that was necessary and we began actually to put in the physical installations around 1938 and 1939. But then the war hit us and we were cut. That necessitated the completion of the work during the early war period and it was only by coming down here to Ottawa and pleading the situation—I mean the service situation and its importance to the war effort in Vancouver—that we were allowed to proceed with what we had in hand and any other work along that line for the automation of the greater Vancouver area, which of course proceeded until the end of the war.

There is no use in commenting to you on the shortages of supply that we faced. That is now ancient history. But since then we have been, like every other place, doing everything we possibly could in the way of acquiring material to take care of the job we have in British Columbia, the same as in other areas.

I have just been speaking to a representative from Edmonton. I asked him how they were doing out there and he said that they were just as badly off as we are and maybe worse. Their system is run by the City of Edmonton, itself, yet that is the situation they have. We are operating a system with 5,000 odd employees. They do not feel very good when they are hammered at every day about the lack of service and so on. We are making every effort we can from top to bottom, every day, to do the best we know how to give the best service under the conditions under which we have to operate.

Q. What causes a girl in a manually operated station to tell you that all lines to another station are busy?—A. That would be due to the lack of trunks between two offices. Under normal conditions, having regard to known traffic loads, the factors are translated into the required number of trunk lines between any two areas. But these areas, let us say, are growing fast and we get to the point where the cables on order to take care of these trunks fall behind in delivery to as much as 6, 9, or 12 months beyond the time we estimate we should put them in to take care of the situation. So we have to get along with what we have got until these new cables arrive. Take for example the long distance line between here and Montreal. You may pick up your telephone and find that all the lines to Montreal are busy because there are not sufficient trunk cables between those two places.

Q. You indicated certain apparatus in the remote districts in the province. Can you give us an estimated idea of what priority you give to the modernization of that type of service?—A. It is a case where, in our opinion, in the opinion of our engineers and of our executive officers, the factors impinging on that particular point or particular office indicate the inadequacy of the particular pieces of equipment which are there. Having regard to a minimum service, you can get along up to a certain point with the old magneto system. I am thinking for example of Abbotsford. When we went in there was a small number of stations. But the number has grown by 120 per cent since the end of the war. The facilities we provided there were entirely adequate to take care of the volume of service in the first instance. But because of the unprecedented demand, those facilities are now entirely inadequate; and it is those areas in which there is the greatest inadequacy, you might say, with respect to which we have to give first attention.

Q. You mean before Hastings and Kerrisdale, and so forth?—A. As long as the manual equipment in Hastings and Kerrisdale is able to take care of the service demands there, we shall continue to make use of it, and switch over to automatic equipment as it becomes available. It is our hope to make these areas fully automatic operations as fast as we can. Our plans call for it, I mean our plans which were brought forward in 1937. They contemplate completion of the automation of the whole of Vancouver in a period of around 10 to 12 years. There are so many factors which go into it. You just cannot pick up the necessary trained personnel to go in and do the job over night. It is a big job, a long job and a job which takes time; and all the elements involved have to be taken into consideration.

Q. Most of the complaints I have received in the area arise less from the rates put in than from the service given in the area.—A. I quite agree with you.

Q. Where manually operated phones are located and where you are trying to break in the automatic phones, that service they tell me is not good, and there is some evidence of the fact.—A. We have been hearing about it. It has been mentioned. I refer to the Fairmont office. We have been trying over the last two or three years to get that office cut off to automatic operation. It took us some considerable time. If any of you gentlemen have started to put up large

buildings today, you will know that it takes six to nine months longer than it did five or ten years ago to get them erected. But we have now quite a substantial number of lines going into the Fairmont area. We have got on order all the equipment and it is under delivery, to automatize fully the whole of that office. We want to do that as fast as we can. The other areas will be taken care of and treated in the same way as we have treated this one.

New Westminster is an area in itself and should be so dealt with because of conditions which exist there. New Westminster, by the way, I would like to say, has had the fastest growth of any of our larger urban areas, proportionately; and I think you will agree with me on that.

Q. Yes. A case for better service can be made there because I know of a firm there whose customers come down by boat and have endeavoured to get in touch with that firm by means of the telephone but were unable to get a connection. So they go home again, write their orders and send them in by mail. It has been very bad.—A. We have had complaints come in and we want to take care of the situation but the equipment has not arrived yet.

Q. I hope that it arrives soon.

By Mr. Fulton:

Q. I shall ask questions first arising out of the evidence which Mr. Hamilton has given today and at the last meeting: You referred to the need of money which would be created by certain requirements which you were going to be asked to meet by the Defence Department?—A. Yes.

Q. I take it that it is capital money you are going to have to spend to meet these requests?—A. Yes, and we will probably have to use the same facilities we have already got that are being used for the civilian, or normal, needs today.

Q. And then replace those?—A. And if we are going to keep up with our civilian requirements, we have to replace those.

Q. So it will be largely a capital outlay to meet these defence requirements?—A. Yes, and by so much as we increase the facilities we will have to increase the personnel to service these, and so forth, but that, again, we are reimbursed for out of the revenues we hope to get.

Q. Are you able to attach any figure to the capital outlay that will be necessary for this part of it?—A. No, but I do know it will be substantial.

Q. Will you get any capital assistance from the Defence Department for that outlay?—A. The arrangements in regard to these matters are still being discussed with the proper department, and I am not in a position to make any estimate.

Q. Probably not an estimate, but you know, particularly in the case of manufacturing concerns which are asked to undertake orders from the Defence Department, that the history appear to be, not only do they make a profit out of the undertaking, but they are to receive what is called capital assistance: would you not anticipate you would have the same treatment?—A. That may be but the matters that I discussed a few minutes ago, in answer to Mr. Laing, are mentioned in addition to that. We had to do something: undoubtedly we will not be able to collect capital assistance for everything: there will be some modicum we will have to take care of ourselves. Any facilities for civilian propositions will be provided on the rental basis. Any of these amounts are not taken as capital; that is a job we have to do.

Q. As I recall, in your evidence when you were asked to substantiate the statement that this \$100 million would be used up in something rather less than ten years, and you were asked on what factors do you base your estimates, you laid considerable stress on what you described as a fairly heavy anticipated

outlay of capital to meet requests which were going to be made by the Defence Department: that was one of the things which you said you took into consideration in making your estimates?—A. Yes.

Q. I am asking, and I think you have already answered it, whether you do not anticipate that the major part of these capital outlays which you undertake at the request of the Defence Department will not be reimbursed to you in the form of capital assistance in line with government policy applied to other firms asked to take defence contracts?—A. Again I am not in a position to say exactly how we are going to work it out. It may be we will provide these facilities on the basis of our established charges for like facilities under the tariffs that have been approved by the Board of Transport Commissioners; it may be some other arrangement whereby the government will make some contribution where some of those places are in areas that could not possibly under any circumstances be considered for future commercial use to the extent of the volume of facilities at those locations. I said those are matters that will have to be worked out by ourselves, and I could not begin to put in a dollar mark on it. These other estimates. I said that anything we had to do in regard to that was over and above that. Whatever it is, I could not tell you, but I think it will be substantial.

Q. You have said that it may be taken care of by merely a normal charge for the service which you render—you would charge them the same rates as for civilians?—A. It would be extra capital expenditure.

Q. Do you not know that the system being followed by the government, so far as one can understand at the present time, as outlined in the House by the Minister of Defence Production, is that where a company is asked to provide plant and equipment, and things useful only for defence needs and which have no opportunity of producing a profit after the Defence Department need is met, their expenditure is taken care of in two ways: Firstly by a capital assistance program, and secondly by—I do not know the technical term—accelerated depreciation. If you install for the Defence Department a service, plants and equipment, which will have a potential civilian user attached to it, and you do not get a capital assistance grant for it, surely it would be only proper to assume that would be part of your normal expansion program that you have in mind anyway?—A. Yes.

Q. Therefore, those contracts which have no potential civilian user attached to them, surely if the principle outlined by the minister is applied, you will be entitled to capital assistance as well as accelerated depreciation?—A. It is possible something along the line of capital assistance will be provided probably in areas that, as I say, are by no stretch of the imagination commercial, say, five years from now.

Q. So to that extent you will not have to dip into the capital you will receive now to meet Defence Department requirements?—A. Could I give you one little illustration? Between Vancouver and close to your constituency we will be called on to provide facilities in that area, and our own toll line, staff et cetera—it will be a difficult proposition to segregate it in any shape, way or form, and we will probably proceed with that and provide the capital necessary for that. Still in that one particular instance alone—and that is only a small one—it will probably exceed \$8 million, and the government pays us the normal rental and will guarantee us against any capital loss. If as and when the end of the war should come, or they want to give up the use of these facilities, then at that time we will be compensated for those facilities that cannot be used for civilian purposes at that time. I think that is the way is will be worked out but we will have to put up the capital in the first instance in a case like that.

Q. Yes.—A. Now, it may be that some installations will be called for to some extremely isolated area, maybe at the top of a mountain on the west coast,

we will say, and it is a very important point so far as communications are concerned, and the volume and the magnitude of that could never by any stretch of imagination be considered to have any commercial use after the war is over; all these items have to be dealt with differently across the table, and I could not tell you.

Q. No, but you have said you anticipated that took a large part—or some part, and you will get a measure of capital assistance?—A. I think I have illustrated that.

Q. Yes.—A. And I do not want to hold back anything, but I think I have covered it. I am not in a position to give you any details.

Q. No, it was the principle of the thing I was interested in, as to where this capital, or some of it, might come from. I would like to ask a question which I have asked the earlier witnesses, and so far they have not been able to answer it: Did I ask you whether or not the Board of Transport Commissioners has ever to your knowledge required an improvement or extension of service from the company when you have appeared before them for a rate application or an application for authority to issue capital?—A. I have never known—there have been many complaints and many petitions to the Board of Transport Commissioners in connection with service matters, but I do not know to my knowledge of any situation that has not been dealt with, and reports made, and all the factors laid out on the table, and a satisfactory settlement arrived at.

Q. I was wondering about those you referred to as arising by way of petition or complaint to the Board: I take it the Board would call on you to answer the complaints?—A. Yes.

Q. I am thinking of when you go before the Board for an increase in rates or an application, such as is coming forward, shortly, for authority to issue some of this share capital; do you recall on any of those occasions when the Board has attached conditions to the granting of the application requiring you to give this or that extension, or improvements in service?—A. No.

Q. So, the one has never been made conditional on the other to your knowledge?—A. They have always assumed we are good boys.

Q. Turning to the figures you tabled last week, and a summary of the proposed expenditures by areas— —A. Yes, sir.

Q. You gave us the proposed program for 1951 and the estimated program for 1952?—A. Yes, sir.

Q. I had correspondence with you recently, and I am not going to ask you details—this is for the purpose of the record—I had correspondence with you recently regarding a service to the North Thompson?—A. Yes, sir.

Q. Is that being dealt with?—A. Yes.

Q. The situation at Clearwater where they are asking for an exchange?—A. You drew that to my attention, and I have asked for complete particulars to be put forward, and I will be very glad to convey to you what has been done and what we propose to do, and what plans we have and when we hope to carry them out.

Q. The matter is being dealt with now?—A. Yes.

Q. The other thing I wanted to ask you about is the question relating to the Dominion Government Telephone and Telegraph Service, which, as you know, starts in the interior of the province at Ashcroft and serves the area north of that up to Prince George, and also serves the northwest communications system?—A. Yes.

Q. Mr. Farrell, I think it was, told us when he was giving evidence that the Department of Transport has the whole question of the services in British Columbia under its consideration at the moment, and I gathered from his evidence that there was a possibility that eventually your company may come to an arrangement with the Dominion to take over a greater or lesser part of that system which they now operate: to your knowledge is that a correct

statement of the situation?—A. Yes. It is only very recently—as a matter of fact, early this year; some few months ago—I interviewed members from the government with regard to the better integration of our two services, particularly in relation to defence, and it was agreed that some of their top officials should come out at a suitable time this year and look over this whole situation in regard to telephone services. I believe the time is ripe when extensions and betterments are due to these areas we have just heard asked about that are expanding and bulging, and that applies to that area north of Ashcroft. I would point out that some 20 odd years ago when the same thing was happening through the Kootenays we approached the government on the same basis and took over all the lines operated at that time by the Dominion government south of the main line of the C.P.R.—took them over en block. They were operating something over 1,600 miles of lines with this service on the smaller areas, and subsequently we took over another 651—over 2,000 miles—and these were merged in with our service and interconnected through our long distance toll system which we have started to put through, as many of you know, through the Kootenays and into the Trans-Canada.

Q. You anticipate then, discussions being embarked upon in the quite near future regarding the taking over by your company of some part, at any rate, of this Dominion government system?—A. Yes.

Q. I presume the closest point you have touched here in your summary would be the Kamloops district. I wanted to ask you whether your expenditures, or your whole program you had in mind at the moment, embraced that possibility, or will an additional outlay, or additional expansion program be necessary if that possibility comes about?—A. There is not one dollar expenditure anticipated in that. Those figures were prepared and put forward some time around the 10th of January this year, and it was subsequent to that that I had my conversations with the department, and any sums that we would be called upon, within the next ten years, if we should make an arrangement to take over these services—because there is a great deal involved—are not included in this authorized capital.

Q. Not even in the \$100 million?—A. I should say, is not included in this application for authorized capital: I want to correct that.

Q. There are some areas, I believe, where there is—if “confusion” is not a fair word, correct me—I will call it “confusion” resulting from the overlapping, or, there is no clear distinction between the Dominion government boundary and yours: the line of services on Bridge River, Pioneer and Bralorne—those mining communities—and the line that serves part of the P.G.E. community down to Pemberton. I believe in some cases they have to start out over your line and switch to the Dominion government line, and then switch over to the B.C. Telephone Company line: have you any contemplation in regard to any immediate improvements in that situation?—A. When we provided services into the Bridge River area, at that time there was a small government telephone office, and they were not in the position to give the extended service that was required at that area into Vancouver, which was the source of supply and from which all communications were to or from. By agreement we took over the job of supplying service there. We built a line and took over a line from north Vancouver through to Squamish, and made arrangements to get service from Bridge River to McGillivray, and from there we built a line over the mountain. That gives us straight physical connection, and in addition to that, because of the rough terrain and the outages liable by snow conditions and weather conditions, we augmented that by radio, and that is the principle method of communication. Between Bridge River and Lytton and Lillooet and up to Ashcroft the government still have their own line.

Q. In other words, you go at the moment to the actual mining communities of Pioneer and Bralorne; but from Vancouver the other way from Pioneer and Bralorne out to Ashcroft and east, they go Dominion government service?—
A. From Ashcroft over Dominion government service, sir.

Q. Is that situation static, or have you any contemplation for that area at the moment?—A. We have an idea that some satisfactory arrangements can be made for us to take it over and operate it and give probably, what I might term, a better integrated service. By that I do not mean the Dominion government telegraph service all down through the years have not given a very good service all through those lean areas in which they have done a job.

Q. This particular point seems to suffer from lack of integration?—A. Yes.

Q. And you think something may be probably worked out?—A. Yes, I think so.

By Mr. Byrne:

Q. I would like to ask, Mr. Chairman, with regard to the Columbia valley. There have been various representations requiring night service: there has been no night service for the entire Columbia valley: have you had various representations by organizations?—A. You mean Columbia Gardens?

Q. Columbia valley.—A. Is that south of—

Q. Golden, Invermere and Windermere?—A. That matter is before us, and the general manager reports to me that the traffic and operating people are going in there studying that whole situation. We realize that at Golden and Windermere and a number of these other places, in the summertime particularly, there is some inconvenience to the tourist traffic. That has been developing, but it has, I think come along in the last year or two.

Q. Failing a 24 hour service, would it not be possible to have that connection directly with the nearest exchange which is operating a 24 hour service—and that is for long distance purposes? They are completely isolated from the rest of the world—and there are all these tourists.—A. The difficulty there in a manual office—and those are manual offices at the moment—is to set up connections that you can connect on a toll line. It is a physical connection that has to be put up. By dial you could throw a switch and make it possible for anybody. If it was on dial, what you are suggesting could be done, but not on manual, unless you have an operator there, and it is uneconomical to have an operator all night to answer one or two calls.

Q. Have you any idea how long it will be before the centre of Cranbrooke and Kimberley will have the automatic exchange?—A. I believe we have orders in hand for plants and buildings for the complete automation of those points.

Q. How many years?—A. I don't know, but as soon as we can get it. The plans are out and all necessary steps taken, short of getting the equipment.

Mr. GREEN: Is that not under the Kootenay Telephone Company?

The WITNESS: Yes.

By Mr. Hatfield:

Q. I would like to ask about this \$50 million increase in capital—is that ordinary shares or preferred shares?—A. It will all depend on the market at the time we are doing the financing. We could not sell more than a certain percentage of those shares as preferred shares. In other words, a condition attached to all outstanding preferred shares is that not more than 60 per cent of the total capital can at any time be preferred shares.

Q. Does the present stockholder have any advantage in buying those shares?

The DEPUTY VICE-CHAIRMAN: That is all on the record.

The WITNESS: The present stockholders have the same rate as any other companies.

The DEPUTY VICE-CHAIRMAN: These questions were answered.

By Mr. Hatfield:

Q. What preference are they given?—A. They are given no preference.

The DEPUTY VICE-CHAIRMAN: Those questions you are asking now are on the record. If you get the record of last Friday, you will see them.

Mr. HATFIELD: Well, I have another question. Why do these telephone companies—I am not interested in the British Columbia telephone users but I am interested in other telephone companies in Canada—but I would like to know why is it connected with so many other companies that supply material to the parent company—Phillips Electric, Northern Electric—and you have another one out in British Columbia that I have not heard of—Canadian British Columbia Telephone and Supplies Limited; why are all these companies necessary? Is it to make a higher price to users of the telephone service?—A. No.

Q. I suppose I use as much telephone service as anyone in this room, and I would like to know why all these companies are necessary? Are you connected with Western Electric—they are the big parent company of all companies?—A. No, we purchase a lot of their equipment. We purchase equipment from every source—from England, all over, wherever we can get equipment which meets our specifications, and at what we consider is a fair price.

Q. There are certain companies, if they can supply that equipment, from whom you are supposed to buy your equipment?—A. I do not think as a telephone man I can answer that question.

Q. Are there some companies that have preference in selling material to your company?—A. No, no preference.

Q. Not even your own subsidiary company?—A. All things being equal, yes.

Q. You give them a preference?—A. Certainly.

Q. Which do they give the preference to—Northern Electric, Phillips Electric, Western Electric, or what company?—A. We buy to the best advantage in the interests of the telephone company.

Q. Do you own any stock in the Phillips Electric?—A. Me?

Q. No, the telephone company?—A. No, they are not allowed to.

Q. I know that: the directors, I mean?—A. I wish I had some of that stock.

Q. Well, have you any stock in Northern Electric, or Anglo-Canadian?—A. I am sorry, I do not.

Q. Well, the Western Electric—you do not know of Western Electric?—A. Western Electric is the principal manufacturer of radar, but we purchase a lot of Western Electric equipment in our ordinary course of business.

Q. Do you purchase any equipment from the North Electric?—A. Yes, a lot of it.

Q. What I would like to know is why you have so many subsidiary companies from which you purchase material? Is it to put up the cost to the user of the telephone?—A. I would not agree with that statement. We do not purchase from anyone to build up costs. We purchase in the best market we can get.

Q. Why is it you sell your capital—for the capital you need, why do you sell stock instead of bonds? You pay probably 8 per cent on your ordinary stock, do you? You are allowed to pay at 8 per cent.

Mr. APPLEWHITE: It was all on the record yesterday, and that statement is not so.

Mr. HATFIELD: Do you not pay \$8 a share dividend?—A. That is correct.

Q. You can sell bonds for $3\frac{1}{2}$ or 4 per cent?—A. Sure.

Q. Why is it not advisable to sell bonds instead of paying 8 per cent to the common stock owner—\$8 a share?—A. That is something that—I think that question has already been discussed, but the answers to those questions are very fully set out.

Q. But those are questions that concern all telephone companies. All telephone companies should in my mind be public utilities.

The DEPUTY VICE-CHAIRMAN: You will find those questions you asked are on the record now, and you cannot go into a discussion as to whether they should be public utilities or not. We are examining a witness on his technical information.

By Mr. Murphy:

Q. Mr. Hamilton, I do not know whether you can give me information relating to the answers to the questions I asked your solicitor the other day. You had permission to issue preferred and ordinary stock on May 25, 1948, and the ordinary stock was sold at \$125?—A. Yes.

Q. On October 23, 1950, you got permission to issue both preferred and ordinary. And I see from my memorandum with respect to the ordinary stock you were permitted to sell it at \$132.50.—A. That is right.

Q. And on April 4, 1951, you again got permission to issue preferred and ordinary stock to the extent of \$40,000 ordinary at \$132.50.—A. Yes.

Q. What I want to find out is if you can give me, or give the committee, at your convenience the book value of the common stock as of the date that you made application to the Board of Transport Commissioners for a fixed price.—A. Can you get that? The book value? If this answer is of any use to you or the committee, I might say that the Bell Telephone Company—and I do not like to bring in other public companies, but it is a matter of public knowledge—the Bell Telephone Company were authorized to sell their \$25 shares at \$53; and if you multiply that by four, that comes out to around \$33 or \$33.50; I do not know which. You can correct me if I am wrong. The result was that they were authorized to sell to their shareholders, with all rights and everything attached to it, their \$25 shares at \$33 or \$34. And if you multiply that figure by four, it gives you approximately the same price at which we were authorized to sell ours. In the use of the Bell Telephone Company the matter of rights was attached to it. We are on all fours in so far as prices are concerned by the Treasury of the Company; and our authorized stock is issued under the authority of the Board of Transport Commissioners. Does that answer your question?

Q. Yes. Have you got the book value as at this particular date? If not, could you get that information for me? The reason I ask you is that you may apply next year or in 1955 for permission to sell that stock.—A. Yes.

Q. And the book value may be up by \$15 or \$20 and you may be permitted to sell the stock at \$145, \$150 or even \$160, which would have a bearing upon our consideration with respect to increased capitalization.—A. I am afraid it is the market and the public which control these items.

Q. That is true. But I think you would agree that the book value would have a lot to do with it in any case.—A. That is a matter which investors look at.

Q. Yes.—A. When the price tag is put on those shares.

Q. That is right.—A. And one has to take into consideration the fact that when you start in to call for the financing of any company in a proportion of \$5 million to \$10 million, that is in addition to bond moneys which are raised in the ordinary way. At one time you sell common stock and at another time you sell bonds. In our little company it is a case of \$5 million to \$10 million at a time, and a case of taking into consideration the population in British Columbia where our operations are known and the financial facilities and the management and all that is attached to it, which an individual looks at when he is going to invest.

That is a lot of money and you expect the thousands of shareholders you have to take the money up. It is in your till and you are through with it.

Q. If you will get me that information, I shall be glad.

The DEPUTY VICE-CHAIRMAN: Mr. Goode?

By Mr. Goode:

Q. Mr. Chairman, I wonder if Mr. Hamilton would refer to the summary of the proposed expenditures for a moment.—A. Yes, sir.

Q. Have you got a breakdown of item 3 headed "Greater Vancouver and New Westminster" to a total of \$20,700,000? Can you tell me how much of that large total is to be spent in Burnaby and Richmond?—A. I have not got the details here and I do not know if I could get them for you.

Q. If you can give me this proportion, I would like it. —A. But, Mr. Goode, there is a very substantial expenditure, and the proportion in Burnaby will be in proportion to our shortages on our demands.

Q. It may be. Perhaps I can develop that. How many telephones have you got in Burnaby at the moment?—I think you gave that information to someone else, but I would like to have it on the record, if I could.—A. I am sorry, Mr. Goode; but in so far as Vancouver is concerned, we call it Greater Vancouver and New Westminster. And Vancouver includes Dexter.

Q. Do you mean to say that you are including Burnaby in with Vancouver?

Mr. MOTT: That is right.

The WITNESS: The portion of Burnaby that is attached to Vancouver is included with Vancouver from a service standpoint.

By Mr. Goode:

Q. I was going to ask you, when you said to Mr. Mott that New Westminster was the fastest growing community in British Columbia—I have not myself made any check there—about facilities in Dexter. Have you any vacancies for telephones in that area?—A. In Dexter we placed an order for a 240,000 unit central office equipment for the Dexter office, about 30 days ago.

Q. And what about Glendale?—A. I have not got the details.

Q. Could you let me have them—not in the committee—but when you get back home? Could you drop me a line?—A. I will be glad to, when you get home.

Q. If we ever get home.—A. And I shall see that you are given all the information. In fact, I am willing to go over the whole of the area with you.

Q. Thank you very much.—A. And I shall ask you how to fix all my troubles.

Q. You have a toll charge between Burnaby and New Westminster?—A. Yes.

Q. We want to get rid of that system. We have tried to do so for years. How much money per year does that toll charge bring you?—A. I could not say.

Q. You could not estimate it?—A. No.

Q. How long will it be before you do away with that toll charge? There is no toll charge between the City of Vancouver and Burnaby, is there?—A. No.

Q. But you say there is a toll charge between Burnaby and New Westminster. Why is that?—A. It is a question of rates.

Q. The distance is less.—A. I would be glad to go into that with you, give you the complete details, show you what we have and discuss with you what we could do in the way of eliminating that toll.

Mr. MACDOUGALL: Draw him a picture and write him a letter.

The DEPUTY VICE-CHAIRMAN: Order!

By Mr. Goode:

Q. We feel that if the distance between my home and Vancouver does not justify this toll, then the distance between my home and the home of Mr. Mott, in New Westminster, does not justify it. I have to pay a toll charge between

my home and Mr. Mott's home. But I do not have to pay a toll charge between my home and Vancouver.—A. I believe that if you will give me the opportunity I can show you, and you will agree that the reasons adduced for it are sound.

Q. I do not know that I shall agree, but I would be glad to hear what they are.

The DEPUTY VICE-CHAIRMAN: Shall we now call the next witness?

By Mr. Green:

Q. Have you yet run into the problem of conflict with Defence Industry in getting supplies?—A. There is no conflict.

Q. For example, apparently there is less and less steel for civilian industry all the time. Have you yet run into that difficulty?—A. Yes.

Q. You are running into it now?—A. Yes.

Q. And you had similar trouble during World War II, did you not?—A. We did not have trouble. We just had certain regulations issued by the government in regard to the allocation of the available sort supply materials in so far as defence was concerned, and we were acting accordingly.

Q. I take it from the evidence you have already given that you have not been able to get your material, even to this date, at the rate you had planned to get it. Is that correct?—A. Yes, definitely; but that had nothing to do with defence requirements.

Q. You also have had difficulty in getting a staff to carry out your plans? Is that correct?—A. Not in getting all the staff. We have difficulty in getting female telephone operators, and I think I gave the reasons why.

Q. And if you should have difficulty in getting equipment, would that affect this \$100,000,000 plan being brought forward?—A. Well, if we were cut off in a period of ten years from getting any equipment, obviously we could not use any of the \$100 million.

Q. I am taking the situation as it is almost certain to be under present conditions; and if you cannot get the material, if there are any restrictions or shortages because of defence requirements, they will affect your program, will they not?—A. In our forward planning we cannot anticipate a war or an international complication that will impede our program of expansion to meet the normal call for telephone service in the areas in which we are entitled to serve. That is not our affair. We have got to plan to take care of, first, our civilian needs; and then, if there is a war or a call to utilize those facilities and the material which create those facilities, then we have to submit to it, like any other company, any other utility company, or anybody else. But we want, and we are asking, to be put in a position to take care of it; and I hope and trust that we have submitted the necessary factual data to this committee to enable them to judge whether or not we require it.

Q. These plans in the ten year program are based on normal conditions?—A. I think I have already stated that, Mr. Green, yes.

Q. And there has been some mention about doing defence work. Will the cost of that work fall in any degree on the civilians? Or will your contract with the government be such that the government carries the cost of that work?—A. Certainly; the government will carry the cost. It will not fall on the telephone subscribers of British Columbia if I can help it. And I shall make the proper appeal to the Dominion government to see that we are properly and duly recompensed for our service, or for any capital outlay which we cannot use.

Q. You mean that the company is in a position to see that all the costs of its defence work will fall on the Dominion government?—A. We are talking of costs?

Q. Yes.—A. I hope so. And I would qualify my answer by saying not all the capital costs.

Q. Well, all that would be over and above developments that would be taking place in the normal course of events. Is that the way in which you

qualify it?—A. I think I fully answered that question to Mr. Fulton. But I shall answer it again for you in this way: we will be called upon to put in additional service to serve the government. The provision of that service will be recompensed, I hope, by the government, so that none of its cost will impinge on the subscribers of the British Columbia Telephone Company.

There will be capital costs involved. If as and when the use of those facilities by the Defence Department is ended—and I do hope they won't need them very long—then such of those facilities as we have in excess of our normal requirements at that particular time can probably be turned in for use for the public service, anything over and above that which cannot be immediately used. We are required to make the necessary deal with the Dominion government. But as to what it will be, I would not even hazard a guess and I do not think that any gentleman here would ask me to hazard such a guess.

Q. You are proceeding with your installation of telephones just as rapidly as possible at the present time, are you not?—A. We certainly are, Mr. Green; and our 5,000 people who are serving the public of British Columbia are very unhappy that we are in such a situation through causes impinging on us over which we have no control.

Q. And you will continue to put in as many phones as possible regardless of the amount of the increase of capital that you get at the present time?—A. I think I answered that question a few minutes ago when I said I am not padding it, I think I am modest—that we would require something between 150 and 175 new stations to be installed within the next five or six years, whatever it was, that is, to take care of the service demands.

Q. What I was asking you is this: You will continue this policy of installing as many phones as it is physically possible to do, regardless of whether you get an increase in capital of \$25 million, \$35 million, or \$50 million, will you not?—A. Well, I do not know if the question concerns what we will do in the way of installing phones. But we want to have sufficient authorized capital ahead of us so that we can do intelligent and forward planning over a reasonable period, in a large corporation and in a large utility service such as we have in British Columbia.

Q. Well, your policy will continue to be that of installing as many phones as you are physically able to?—A. That is so, Mr. Green, and I am glad you asked me that question. I repeat I set out the company's policy in the few words with which I began to give evidence here. I think I stated what the policy of the company was. It is still the same policy.

Q. Would it be fair to say that the only effect of the amount of increase granted to you would be on the time that you come back here asking for a further increase in capital?—A. I do not know. This parliament may see fit to say that we have to come back every year, every two years, every five years, or even every ten years. We are in the hands of parliament and properly so.

The DEPUTY VICE-CHAIRMAN: Shall I call the next witness?

By Mr. Applewhaite:

Q. Mr. Hamilton, there has been quite a lot of talk about operating service, I mean replacing manual operators by automatic machines and so on. Roughly, in dollar value, what percentage of the cost of changing from manual to automatic can you recover by salvage and by other ways?—A. Under present conditions where we have replaced manual equipment with automatic equipment, we have a limited use of the displaced manual equipment. We can use it to put in extensions and so forth, after re-vamping it to suit to fit in, and to give service at other manual operated offices where we are unable to get in new equipment or to get automatic equipment.

As we proceed over a period of years, all the manual equipment that we will take out will ultimately be junked. With respect to some of the large

offices which we take out, probably we might utilize 8 per cent or 10 per cent of it. But some of it is practically useless except to the junk man for the value he can get out of it when he melts it down. And if you gentlemen have any idea of the electrical business, you will know what that means.

Q. You had a large exchange in Vancouver which was recently converted from manual to automatic. Can you give us approximately what part of the cost of it you will get back out through use of the old station?—A. Well, one of the major costs of a large manual board is the labour cost of installation. It is a very very major factor; and when you take that out, it is gone forever. As a matter of fact, it is sometimes very costly to re-vamp old equipment. It would be better to purchase new equipment if you can get it. But we are forced to utilize the old stuff and spend money on it for the purpose of giving service. I again refer to Mr. Mott from New Westminster. I think he can verify what I have said.

Q. In the discussion with Mr. Herridge, I think you told him what you had in view, in connection with various places in his district, if you got this increase in capital; and you discussed your plans with Mr. Laing and other members from British Columbia, as to repairing or taking care of their complaints about lack of service or obsolete service. Can you state in the way of a proportion how much of this you can do if you get an increase in capital?—A. We are at the end of our tether so far as financing is concerned.

By Mr. Green:

Q. What is that again?—A. I said that we are at the end of our tether so far as financing is concerned. We might be able to put out a few bonds, but it all depends on the market. We have now issued every dollar of capital that we are authorized to issue.

Mr. MOTT: Mr. Hamilton, I take it that in your whole plan of extension or expansion, the time limit put on it will depend on the capital that is passed upon by this committee.

The DEPUTY VICE-CHAIRMAN: Are there any further questions?

Mr. GREEN: I would just like to say that remark does not explain the situation. What do you mean by that, Mr. Mott?

Mr. MOTT: I mean this, If you will let me explain it: First of all, they plan to expand the telephone system. That expansion will require certain equipment, certain conduits, and so on. I understand they plan to spend \$10 million in the next few years, and that there will be certain basic expenditure regardless of whether or not they get \$35 million. But I understand that the whole plan will be cut down if they do not get the \$50 million they are asking for.

Mr. GREEN: That is not according to the evidence which has been given before us today. If that is what you mean, Mr. Hamilton, are you putting it up to the committee in this way? If you get an increase of, let us say, \$25 million, then you are going to do so much work; but you will cut down that work if you do not get \$25 million?

The DEPUTY VICE-CHAIRMAN: That question is hardly in order. I do not think we are in order in discussing what would happen if they get less than the \$50 million they asked for.

Mr. GREEN: I think the witness said the policy of the company would be to expand as much as they were physically able to do, and that such has been their policy up to date. You are now bringing in an entirely new suggestion: That if you only get an increase of \$25 million, then your whole plan will be changed and you won't do as much expansion this year or next year and so on. That is what you are suggesting, Mr. Mott, and I do not think Mr. Hamilton said that at all.

The WITNESS: I just stated a few minutes ago that I think we have put forward sufficient evidence to show that we have a reasonable requirement in asking for authority to issue, under proper supervision, an additional \$50 million of authorized capital. I did say that it was entirely in the hands of the Parliament of Canada to give it consideration and to decide whether they want to give us \$1 million and require us to come back next year for \$2 million, and so forth. But we shall do the best job we can to meet our telephone service obligations in the Province of British Columbia in every way, shape or form irrespective.

Mr. STUART: Mr. Chairman, I asked a question the other day. I do not know whether, or not it was answered later on. It was stated in the committee the other day that British Columbia Telephone Company did not come under the supervision of the Board of Public Utilities. But in other provinces, or in some of the provinces I believe they do. So I asked a question at that time as to how the telephone rates in British Columbia compare with telephone rates in other provinces?

The DEPUTY VICE-CHAIRMAN: That was put on the record this afternoon.

By Mr. Hatfield:

Q. Is there anything put in concerning the rights given to the present shareholders on some of this new stock? Will there be any rights given to the present shareholders when you come to sell the new stock?—A. I hope so.

Q. You hope so?

Mr. McCULLOCH: It is always done.

By Mr. Hatfield:

Q. But is it always fair to the telephone users? As my friend from Pictou says, "It is always done." You say that you intend to spend \$100 million in the next six years or so. Will you issue any bonds?—A. Oh yes.

Q. How many bonds?—A. In accordance with the terms of our trust deed in connection with the issue of bonds, we are limited to a maximum of 60 per cent of bonds to other moneys placed behind them for security purposes.

Q. Do you think you have to give rights to the present stockholders in order to sell this stock?—A. I do.

Q. I see that your stock is worth \$132 a share at the present time. Do you expect to issue rights so that the present shareholders can buy that stock at \$100?—A. I shall answer your question in this way: There are telephone companies in the Maritimes.

Q. I know that. I own stock in the New Brunswick Telephone Company.—A. And they are all doing the same.

Q. Well, I do not think it is fair to the telephone users. I think it is very unfair to them to cut a melon every few years.

The DEPUTY VICE-CHAIRMAN: Members of the committee, it is now twenty-five minutes to six, and it has been suggested, that, instead of hearing the next witness now, we meet at 8.15 tonight when we will have the next witness called. Are there any further questions to ask this witness? If not, shall we adjourn until 8.15?

Agreed.

EVENING SESSION

The DEPUTY VICE-CHAIRMAN: Gentlemen, we have a quorum. Shall we proceed with Bill No. 116, letter E of the Senate, intituled an Act respecting the British Columbia Telephone Company. Is it the pleasure of the committee that we call Mr. Brakenridge of the city of Vancouver.

Mr. APPLEWHITE: Mr. Chairman, before we, as it were, close the case for the petitioners and call on any others, I wish with the permission of the committee to draw to your attention the fact that the document prepared by the city of Vancouver which was made part of the records of this committee meeting, without objection, was a document which was distributed to the members from the Vancouver area by those who are opposed to part of this bill, presumably with a view to letting those members know the decision taken by Vancouver in order that they would govern themselves accordingly. Under those circumstances I wish to draw to the attention of the committee that there was distributed a signed letter to all members from lower British Columbia by the Vancouver Board of Trade, signed letters were sent in the same terms to the members for Vancouver Centre, Fraser Valley, Burnaby-Richmond, Vancouver-Quadra, Vancouver South, Vancouver-Burrard, Vancouver-East, New Westminster, Coast Capilano, Comox-Alberni, Nanaimo and Victoria.

With your permission, under the circumstances I think it would be fair that I be permitted to read this letter into the record.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee that this letter be read and incorporated into the records?

Agreed.

Mr. APPLEWHITE: The copy which I have in my hand was addressed to Mr. J. L. MacDougall, M.P., by the council of the Vancouver Board of Trade. It reads as follows:

The council of the Vancouver Board of Trade yesterday reviewed the matter of the application of the B.C. Telephone Company, currently the subject of an appeal before the House of Commons, asking for an increase from \$25,000,000 to \$75,000,000 in its authorized capital.

In view of the tremendous development of the area which is currently served by the company, and the very insistent demand for continuous and speedy improvement of the services and facilities of the company, the Vancouver Board of Trade has gone on record as being in favour of the granting of the application.

The granting of such application may forestall the necessity of the making of frequent applications to parliament for the granting of additional capital. The proper and timely use of the authorization granted by parliament, it is recognized, is further protected by the fact that it will still be necessary for the company to appear before the Board of Transport Commissioners at such times as it desires to secure orders covering the amount of stock to be issued, the specific terms of the issue and other relative factors.

On these occasions, should necessity arise, the Board of Trade, or citizens generally, through their representatives and representative organizations, may make such comment and recommendation as is deemed advisable.

In the light of all these circumstances, therefore, the Vancouver Board of Trade definitely supports the application of the company as outlined in the current bill.

Yours very truly,

(sgd.) Reg. T. Rose,
Executive Secretary.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee to call the next witness?

Mr. GREEN: If evidence of that kind is to be submitted I think I should be permitted to submit the evidence of the Vancouver *Sun*.

The DEPUTY VICE-CHAIRMAN: That is a newspaper, is it not?

Mr. GREEN: It represents a far broader group of people than the Vancouver Board of Trade.

The DEPUTY VICE-CHAIRMAN: Is it the intention that we file briefs from all the newspapers and all the Boards of Trade of all the cities connected with this sort of thing? I did not know what this document was that was read out.

Mr. GREEN: You allowed it.

The DEPUTY VICE-CHAIRMAN: Certainly I allowed it. I would like to get on with the witnesses and we can take your point up a little later, if you do not mind.

Mr. GREEN: I am surprised Mr. Applewhaite would try to put in evidence of that type.

Mr. APPLEWHAITE: I take strong exception to that remark, Mr. Chairman. No objection was raised when Mr. Herridge read letters from several Boards of Trades and if Mr. Green has suggested I have done something that other members will not do, I take objection.

The DEPUTY VICE-CHAIRMAN: He has expressed a little surprise that you did it. There is nothing to object to.

May we take the next witness now and may we have your Vancouver *Sun* editorial at a later date, Mr. Green?

The next witness is from the city of Vancouver, Mr. C. Brakenridge, Parliamentary Agent.

Mr. C. Brakenridge, City of Vancouver, called:

The DEPUTY VICE-CHAIRMAN: Mr. Brakenridge will first make his statement after which I suppose it will be possible for us to question him.

Mr. MOTT: Before Mr. Brakenridge makes his statement I think—probably no doubt he will—he should file some credentials as to who he is representing and the authority for representing them.

The DEPUTY VICE-CHAIRMAN: Before you answer that, Mr. Brakenridge, I might tell the members that there was a telegraphic application made to Mr. L. O. Breithaupt, M.P., chairman of this committee, dated Vancouver, May 21, 1951. It reads as follows:

Re British Columbia Telephone Company Bill. Understand this bill likely be referred Committee on Railways, Canals, Telegraphs. If so would request permission city of Vancouver, B.C. represented at hearing of committee. City Council appointed Charles Brakenridge appear on its behalf. Would appreciate as much advance notice of meeting as possible.

Arthur E. Lord Corporation Counsel City Hall

To which was sent a reply reading as follows:

Arthur E. Lord, Esq.,
Corporation Counsel,
City Hall,
Vancouver, B.C.
Dear Sir:

Re: British Columbia Telephone Company Bill

Mr. Breithaupt, M.P., Chairman of the Committee on Railways, Canals and Telegraph Lines, has received your telegram requesting that Mr. Charles Brakenridge be heard on behalf of the City of Vancouver, and that as much advance notice of the meeting be provided as is possible.

Enclosed is a copy of our Standing Orders Nos. 119 and 120, together with an application form for registration as parliamentary agent.

You will be informed in advance of the date of the committee meeting.

Yours very truly,

John T. Dun,

Chief of Committees and
Private Legislation.

Mr. Brakenridge is a parliamentary agent representing the city of Vancouver and as such is entitled to be heard and I am glad to call Mr. Brakenridge to make his statement now.

The WITNESS: Mr. Chairman and gentlemen, I think first of all I should introduce myself, as it were. I would like to say that for twenty-two years I was the city engineer of Vancouver, from 1924 to 1946. I resigned in 1946 and for the last five years I have been engaged more or less on public utility regulation matters. I have been retained particularly by the city of Vancouver on many British Columbia Electric issues and have had occasion to appear before the British Columbia Public Utilities Commissions on many occasions so that I feel I have reasonable qualifications to appear before such a body as yours and present the case of the city of Vancouver. Now, Mr. Chairman, I would like first of all to deal with the document. Some doubt was cast on this document which the city of Vancouver originally sent to the Vancouver members; it was suggested that it was a report only of a special committee. I would point out that the Vancouver City Council more or less follows the same procedure as most public bodies. Their business is conducted through the medium of standing committees and on occasion through the medium of special committees, when matters of particular importance come up.

Now, when this notification regarding the British Columbia Telephone Bill came before the Council it was referred to a special committee, and that special committee submitted this report to the city council. The city council in turn adopted the report and consequently it becomes the formal action by the city council on this matter. So, I hope that clears up any misunderstanding as to the fact that this report actually was originally sent by the members of a special committee.

Mr. HERRIDGE: Could I ask a question at this point; was that adoption unanimous by the council?

The WITNESS: I was not present, Mr. Chairman, at the meeting but I believe it was. To the best of my information it was.

The DEPUTY VICE-CHAIRMAN: I wonder if we could not go through with this statement and ask our questions afterwards? I think we could save time that way and not upset the equilibrium of the witness. Go ahead, Mr. Brakenridge.

The WITNESS: I would just like to draw your attention to the three recommendations contained in this report. I refer to page 3. The first paragraph, after the half paragraph at the top of the page, reads:

Your committee would accordingly recommend that the city should at this time oppose the application of the company to obtain such an excessive increase in capital authorization (from twenty-five million to seventy-five million dollars) as provided for in the bill now being presented.

And then the next paragraph contains also a recommendation reading as follows:

Your committee further consider that the city should take advantage of the opportunity now being afforded, when the application of the British Columbia Telephone Company to obtain extra powers comes before parliament, to press for some relief from the oppressive policies now being carried on by the company.

And then there is one further recommendation at the foot of the page, the last paragraph:

If the council concurs in the views advanced in the foregoing four paragraphs, your committee would further recommend that the city take all possible steps to endeavour to have presented to parliament the onerous nature of the contracts to which the B.C. Telephone Company is now subjected, when the private bill of the telephone company is under consideration, in an endeavour to obtain relief or amelioration from the adverse consequences of such contracts.

Now, you will notice that there are really two issues. The first issue is that the city opposes the excessive increase, as they state, in the authorized capital, and the next one is that the committee requests that when this matter comes before parliament that some consideration be given to what they claim to be the onerous nature of the contracts to which the British Columbia Telephone Company is now subjected,

So there are two points that I have to present to you.

Dealing first with the question of the increase in capitalization—it is proposed to increase the authorized capital from \$25 million to \$75 million, which, of course, is \$50 million. We immediately, then, come to the question of how much money will \$50 million provide. You have heard quite a little argument as to the relative proportions of capital and debt, and it has been suggested that fifty-fifty probably is all that can be expected. We think it is possible that forty per cent of the capital will support sixty per cent of debt, and if that is so, then the \$50 million of authorized capital will result in a total amount of money of \$125 million. Now, we realize that market conditions at the time capital is raised has a good deal to do with the proportion of equity capital that will be maintained, nevertheless we strongly urge that serious consideration be given to the desirability of carrying as large a proportion of debt capital as possible because, of course, debt capital can usually be obtained at considerably less than equity capital. The interest on the bonds is free from income tax and consequently it represents a substantial saving to the telephone consumer. It has been suggested that the success of municipal ownership in Edmonton and the three prairie provinces has been due to a large extent to the fact that they finance entirely on debt capital. They do not, of course, require to raise any equity capital at all, and while we realize that the telephone company cannot do that, that the money markets will not provide money under those conditions, we do say that over a period of time, and these finances are going to be issued over a period of time, there is a reasonable chance that the final results could well be forty per cent equity and sixty per cent debt capital, and if that is so, a total of \$125 million will arise from this \$50 million proposed increased in authorized capital.

Now, in addition to that, as you have already heard, the common shares of the telephone company have been sold of late at a substantial premium, and in view of the fact that an \$8 dividend is paid there is every reason to consider that that situation will continue.

So, there will undoubtedly be additional funds from premiums on the common stocks. Now, this question arises: What proportion of common stock is the company likely to adopt if they are putting forward \$50 million of equity capital. If we assume that half of it will be common stock, then you have \$25 million, and if the \$32 premium can be maintained that will bring in another \$8 million. In addition, the company have from time to time large funds which come to them through the medium of accruals to depreciation. You will realize in many cases funds are set aside every year to take care of the ultimate wear-out of a particular piece of apparatus or building but they are not necessarily called upon for replacement until the end of the life of that particular equipment or building. Take the telephone company head office. There, you have a magnificent permanent building that will probably last for one hundred years. Actually the company depreciates all buildings in one group and I cannot remember exactly but I think the depreciation rate is about $2\frac{1}{2}$ per cent, and I think the actual life is represented as thirty-five years. So, for thirty-five years the company is going to set aside every year out of revenue sufficient funds so that at the end of thirty-five years they will be able to recoup the investment they put into that telephone building.

If that telephone building costs \$1 million—and I do not know what it did cost but I am guessing about \$1 million—you can see that quite a substantial sum will accrue every year in the depreciation reserve. That applies to many of the company's installations. It is true that every company has to write off certain of the prior investments but over the years most utility companies find they have fairly substantial sums, and it is customary to invest those sums in extension of the plant. That is a proper and desirable thing to do.

So, we see the telephone company will have sizeable sums through their depreciation accruals. Just what they will do is difficult to say without knowing exactly how their plant account is going to have to be written off. I found it somewhat difficult to put a figure on that but I would suggest we might use a figure of \$15 million. I think that is a very conservative figure and on that basis we then have this situation.: They can raise \$125 million on the basis of the \$50 million equity, and they can get \$15 million from depreciation reserves, that is \$140 million, and if they can get a premium of \$8 million, that makes \$148 million.

We start out with a suggestion that the company originally contemplated spending \$10 million a year. It is true Mr. Farrell told us that, due to the increased cost of materials and supplies, that \$10 million might become at least \$12 million. Apparently it is suggested that condition is going to continue but nobody knows what the next few years will bring. Possibly prices are due to come down again. If we patch up this Korean situation it is hard to say what will happen one or two or three years from now.

So, it seems not a little unfair or a little pessimistic to suggest that \$12 million will be required from now on to carry a former \$10 million program. I was rather interested in hearing Mr. Farrell give the figures, although I am not sure I got them correctly because Mr. Hamilton gave them again and they did not seem to tally. However, the way I got it was the capital expenditure for 1949 was \$6,700,000 and for 1950 it is \$6,400,000—but I think slightly different figures were given this morning. However, they did not vary very much from those figures.

I looked up the brief that the telephone company presented at the rate hearings in January, 1950. That brief set out the company's estimated commitments for 1949 and 1950. The 1949 figure was \$8,677,000, and the 1950 figure was \$12,202,000—and so on I think for one other year. So, it would appear as if the company will have some difficulty in keeping to those expenditures. 1949 and 1950 were good years for getting material and labour as compared with the outlook at the present time. I feel on the basis of the actual expenditures for 1949 and 1950 that the company probably will do very well if they can actually spend what they say. Commitments do not mean anything; it is the expenditures. Mr. Hamilton and, I think Mr. Farrell, both talked about commitments. In other words they place orders for certain materials which are not due to arrive until next year, but if you keep everything on an actual expenditure basis you do not need to worry about commitments at all. So, on an expenditure basis it would appear as if \$10 million is a very reasonable figure.

On that basis if we have \$148, million of a total—I admit that is a pretty optimistic view but let us look at the top figure. That would mean that this money would provide for a fifteen year program, and the city of Vancouver feels that any such program is looking too far ahead.

I should say right here probably that the city of Vancouver has no desire whatever to curtail expenditures of the company for legitimate development. We are just as interested as they are in seeing that actual developments go ahead. It is to our interest as well as theirs to see they are able to keep pace as far as possible with the development of the times. Actually, of course, we have enjoyed a period of boom prosperity and marvellous growth for a number of years. I joined the city service in 1909 and I have seen three booms and three depressions—one of them a very difficult one indeed. I think if history teaches us anything certainly this boom is not going to continue indefinitely and, long before this fifteen year period has expired, I think it is fair to say that we are going to experience something not quite so prosperous as we are now enjoying. So, one cannot help but feel that this amount of capital is not necessary, or I should say the authorization of such a large amount of capital is not necessary at the present time.

Now, there is a further feature to this situation. I think it was Mr. Farrell who said that it did not make any difference how much capital the company spent it would not affect the rates. Of course it will not affect the rates if income increases in proportion to the obligations that the expenditure of the additional capital involves. You have to service the debt that you incur on the capital and you have to set aside these depreciation funds that I spoke of—and you have a situation in public utility developments where it is almost impossible to curtail your actual program just to provide for immediate needs.

In other words, if the telephone company is going to build a new station in a growing community, it is good business to build a new station somewhat larger than the immediate requirements for equipment. That larger investment brings in no income at all until a certain growth takes place which justifies the installation of additional equipment and consequently there is additional income. So, we are a little exercised that if the program is not well balanced and care is not taken to see that there is a reasonable measure between the extra income and the charges that will result from the investment, then it can well be that the extra charges to service the capital to provide for depreciation and to pay the extra costs of maintaining and operating the extension will get so far ahead of income that we may be called upon to provide for a substantial increase to service the new extensions.

We feel that there is no justification at the present time for the company receiving authorization for such a large increase in capital. After all is said and done if it should turn out that the most optimistic foresights are quite

justified, and we do enjoy boom conditions for another six or eight years, and if the company finds that after four or five years they require some more money, then there is nothing to prevent them, I take it, from coming back to you gentlemen and asking for a further authorization. It seems rather unlikely that any such thing will take place, but if it does, it does not mean that there is a catastrophe at all; it just means that the telephone officials will have the benefit of another trip to Ottawa and a nice look around the capital for a while—something which I have been enjoying myself for several days.

Mr. MURRAY: May I ask a question?

The DEPUTY VICE-CHAIRMAN: I wonder if we cannot finish with the witness's presentation and then ask questions. Would you mind letting the witness finish?

The WITNESS: I would just like to close that phase with this remark. The telephone service has become almost an absolute necessity even to the lower income group families, and I think we have to be very careful that we do not allow costs to get so far out of hand that we deprive the low income group family from enjoying the benefit of telephone service. It is not good enough to simply say: Oh, well, we have these increased costs and we have to have the money needed to meet the costs, and consequently we have to increase the rates in proportion. I think great care has to be exercised that we proceed prudently and wisely, and so I would say to you that the city of Vancouver would request that you curtail the amount of the authorization of this capital.

The city is particularly concerned, not only because of the amount of the capital, but because of the second condition that I read out of the city's brief—that is the onerous nature of the contracts which the telephone company has become involved in.

I think it was Mr. Lett who suggested that it was not proper that you should listen to any arguments about those contracts; that those contracts had been the subject of very serious discussion before the Board of Transport Commissioners, and consequently that ended the matter. That might be all right under certain circumstances, but we contend that the circumstances are somewhat exceptional. We found, when we went before the Board of Transport Commissioners, that apparently their powers were seriously curtailed. We were confronted all the time with interruptions from the senior counsel for the B.C. Telephone Company. He was on his feet objecting a large proportion of the time—whenever we endeavoured to bring out anything about these contracts that related to something behind the scenes, the senior counsel was up on his feet objecting; and the railway commissioners in some cases objected to these matters being gone into.

I would like to bring to your attention some decisions and rulings of the Board of Transport Commissioners.

The DEPUTY VICE-CHAIRMAN: I wonder if we are interested in the rulings of the Board of Transport Commissioners concerning something which has been brought before the Board of Transport Commissioners and to which you are now objecting? I do not think that this committee should be listening to something you objected to before the Board of Transport Commissioners. I do not think that would be in order. But I am in the hands of the committee.

Mr. GREEN: Well, Mr. Chairman, Mr. Lett read to us portions of this Judgment himself and I think that Mr. Brakenridge should be entitled to make his submission to the committee in the same way.

The WITNESS: Might I explain to you what I propose to do? Might I be allowed to do that?

The DEPUTY VICE-CHAIRMAN: Yes.

The WITNESS: What I am seeking to do is to bring to the attention of this committee the fact that apparently the Railway Act does not give to the Board of Transport Commissioners sufficient power to investigate thoroughly these inter-corporate relations. And if I can establish that fact, then I would like to ask this committee to make a recommendation that the powers of the Board of Transport Commissioners be broadened so that they may be able to investigate fully these inter-corporate relations. That is the intention of the citations which I propose to give you. They do not relate to rulings on the contracts, but are just on how far the commission can go.

The DEPUTY VICE-CHAIRMAN: I think it will be all right. Go ahead and we can stop you if we do not like it.

The WITNESS: Thank you. First of all, I would like to quote from the Judgment of the Board of Transport Commissioners for Canada in a recent Bell Telephone application for an increase in rates. It is noted as case No. 955.170, and I shall quote from page 19 of the printed Judgment. This reference deals with the supply contract between The Northern Electric Company Limited and the Bell Telephone Company of Canada; and this is the quotation which I wish to read:—

As in the 1927 case and prior decisions, the request of the respondents...

Now, the respondents in this particular case were presumably the cities of Toronto, Montreal, Ottawa, Hamilton, Woodstock, Quebec, Valleyfield, Three Rivers and so on. Perhaps I had better start again. I quote as follows:

As in the 1927 case and prior decisions the request of the respondents to extend the inquiry into all the affairs, finances, and costs of the Northern Electric Company was refused. The Board's jurisdiction does not extend to companies not under its jurisdiction. The chief concern of the Board in this matter is that prices paid by the company under the contract are reasonable and proper.

That is the first quotation. My next quotation is from the Judgment of the Board of Transport Commissioners for Canada in the case of the British Columbia Telephone Company, the recent case; and it is marked File 32560.32; and I shall read from page 26 of the printed Judgment, the second paragraph, as follows:—

The only matter we have to consider in my opinion is whether a reasonable and necessary service is obtained from the expenditure incurred by the company. It is suggested that the payment of money by the company to Anglo Canadian Telephone Company far exceeds the amount paid in turn by that company to its affiliates who actually provided the service. This, in my opinion, goes far beyond the Board's jurisdiction.

I have just three other excerpts from the transcript of the evidence of the British Columbia Telephone Company case. I quote now from page 776, and I quote the remarks of Commissioner F. M. MacPherson, addressed to Mr. McTaggart, and the quotation is as follows:—

You said you were dealing with the Anglo Canadian Telephone Company which controls all these others. Now, if you will confine your investigation to those companies with which the British Columbia Telephone Company have connections, and not the other companies...

And then again from page 904, the remarks of the Deputy Chief Commissioner, as follows:—

Our ruling is that the Board's functions are mainly concerned with operating under the Railway Act, and the company that you are talking about is not under that Act. The company is actually referred to related

to the Dominion Directory Company, but it was not a Dominion Directory transaction that was at issue. It was called the Dominion Directory Company which is the company that publishes the directories that was holding shares of Telephone Securities Limited, another affiliate of Anglo Canadian.

And the ruling of the Deputy Chief Commissioner was:

Our ruling is that the Board's functions are mainly concerned with operating under the Railway Act; and the company you are talking about is not under that Act.

Then one further quotation from the same transcript at page 902, and again the remarks of the Deputy Chief Commissioner as follows:

Why.

And then there is a full stop. He is answering "why" to a previous question.

We are bound by precedents set up by this Board.

I would like, if I may, later on to refer to the feeling of the commission that they are bound by precedents set up 25 or 30 years ago.

Now, Mr. Chairman, it is only fair to state that despite these rulings and instructions I have quoted to you, the Deputy Chief Commissioner did relax somewhat after most strenuous objections raised by counsel for the city and the province. All through the hearings counsel for the telephone company had appealed to the Board to investigate the ramifications of this family and argued that their activities should be brought into the open where all could see what was going on behind the scenes. Surely parliament never intended to deny the citizens of Ontario and Quebec the right to learn in intimate detail what was going on behind the scenes in all matters which might affect the cost of service in any utility company which enjoyed a monopoly in furnishing that service.

So we in British Columbia are delighted to learn that the citizens of Ontario and Quebec are asking serious questions about the operations of their telephone monopoly, the same as we are doing and intend to keep on doing, until we get some redress for a situation wherein apparently the restricted powers of the regulatory body appear to stultify any real attempt to carry on an exhaustive probe into the affairs of these powerful corporations.

Now, gentlemen, the point I am trying to make is that when we go before the Board of Transport Commissioners we find that our Board of Transport Commissioners appears to be so restricted that the minute we get beyond the first party privy to a contact with the British Columbia Telephone Company, we are told that we cannot go any further.

Consider the case of the license contract. You heard this morning that the British Columbia Telephone Company paid them up to $1\frac{1}{2}$ per cent. Now they pay 1 per cent of their gross revenue to their parent Anglo Canadian Company for services presumed to be rendered to them relating to engineering, financing, and everything under the sun.

It is admitted that the Anglo Canadian is not able to provide that service. But Anglo Canadian tells us that it is provided by some of the Gary Group. Now, who are the Gary Group? Presumably they are located in Chicago or Kansas. In Chicago, presumably; and the witness, Mr. Cheney, whose evidence was read into the record this morning, told us about the organization that existed in the Gary Group to render this service.

But it is established that the Anglo Canadian Company only pay \$3,175, I think, if I remember the figure correctly.

Mr. GREEN: It was \$3,150.

The WITNESS: Yes, \$3,150 for service for which in 1948 the British Columbia Telephone Company paid \$181,051. Now, can you imagine hard-headed

Americans in Chicago, out of the goodness of their hearts providing services to the extent of \$175,000 without getting any payment for it or only getting \$3,150 for it? It does not sound reasonable on the face of it.

Now, we do not doubt that there is an organization in Chicago, but we do not know how it is set up. We have a suspicion that it relates to the corporation that manufactures telephone equipment which ultimately is sold to the B.C. Telephone Company, but we do not know, and we cannot find out because the railway board say that their jurisdiction does not allow them to go beyond the first party to a contract with the B.C. Telephone Company, and so we will never be able to find out what is going on behind scenes if that is the situation. The same applied to the Canadian B.C. Telephones and Supplies: We tried to find out how it was that the Canadian B.C. Telephones and Supplies were handling these Telephone Security shares, but there again, you see, is a transaction relating to a second party and has no direct bearing on the relationships between the B.C. Telephone Company and the Canadian B.C. Telephones and Supplies. So we say that these contracts could not be investigated as they should have been by the Board of Transport Commissioners, and consequently that we should have a right to bring them before this committee. Now, respecting these three contracts, let us take the supply contract; the B. C. Telephone Company entered into an arrangement with a subsidiary of Anglo Canadian, B. C. Telephones and Supplies, whereby they undertake to do the purchasing for the telephone company, and they undertake to do the repair work for telephone company and the installation work for the telephone company, and they undertake to carry stock for the company, and we say why does not the B. C. Telephone Company do that work itself, because the Canadian B. C. Telephones and Supplies have made quite a little bit of money from year to year, and apparently is able to invest in Telephone Security Stock, another subsidiary of Anglo Canadian, but the telephone company tell us that they are too busy; their job is to sell telephone service, and that they cannot handle this work. Now, I say we have a much larger utility company in British Columbia, the B.C. Electric Railway Company: they supply electricity, gas and transit service to the lower mainland and to portions of Vancouver Island. It is a much larger enterprise than the B. C. Telephone Company, but they find no difficulty in doing their own purchasing, nor do they find any difficulty in handling their own repairs or carrying their own stock. Shall we say this scheme—and we cannot call it anything else—of setting up a subsidiary company to do these services for the B. C. Telephone Company simply means that the subscribers to the telephone service are called upon to pay more than they should do for that service. I should say that the Board of Transport Commissioners in their judgment found that the payments made by the B. C. Telephone Company to the Canadian B. C. Telephones and Supplies were excessive, and they disallowed a proportion of the amount. Unfortunately, they did not give us any clue as to the basis on which they had computed the amount to be disallowed, and so we are in the dark as to that extent, and I heard Mr. Hamilton or Mr. Lett tell you that since the judgment of the Board of Transport Commissioners, the telephone company has seen fit to modify that contract with Canadian B. C. Telephones and Supplies, but they have not abandoned it. They have evidently reduced the commission percentages, but the contract is still there, and so we are by no means satisfied yet that that situation has been remedied. Now, respecting this directory contract. Here you have another subsidiary company set up to handle the advertising matter in the telephone directory. It is also a very profitable enterprise, and incidentally the president of the telephone company and the president of the supply company are one and the same. Now, again, we are told that the telephone company have not got the expert staff to sell advertising, and that they have to depend on these experts to do the job for them, and yet these experts are housed in the telephone company building, and we cannot see

why the telephone company could not hire the experts just as well as another subsidiary company, and any profits that accrue from the directory would then go into the accounts of the telephone company and be to the benefit of the telephone subscribers.

There is another situation that exists: the B.C. Telephone Company operates, as they told you, the major proportion of the telephones in British Columbia, but there are four other small subsidiary companies of the Anglo Canadian, which is the parent company of the B.C. Telephone Company: they are the Chilliwack Telephone Company, the Mission Telephone Company, the Kootenay Telephone Company and the North-west Telephone Company. Those are not their strictly legal titles, but I think that will serve to identify them. Now, what do we find there? We find that the general manager of the telephone company is the general manager of each of those four companies, and we find that the plant manager of the B.C. Telephone Company is the plant manager of each of those four companies, and I think the traffic manager is also, and on down the line, and we wondered, with such an inter-locking of officialdom, whether the B.C. Telephone Company is getting all that is coming to it in their relations with the small companies. One thing that strikes us as very significant is the fact that the telephone company in their own brief even at the last hearing—and I think I heard it at these hearings here—indicated that it was not possible in a small telephone enterprise to operate successfully at reasonable rates unless it could get financial help from the larger communities and cities; but here is the Mission Telephone Company, and at the time of the hearing they had, I think, 700 telephones, and yet we found the Mission Telephone Company is doing quite well. These figures are at the end of 1949, and the Mission had 700, and the Chilliwack had 1900 stations, the Kootenay 2,200, and the North-west had 3,000. How does it come that these small companies are so prosperous if it is a fact, as stated by the telephone officials themselves, that small companies cannot be operated unless the rates are exceedingly high? The rates for these companies are not exceedingly high, and so we say that parliament should enlarge the powers of the Board of Transport Commissioners so that they can look behind the scenes and satisfy themselves and satisfy us—and when I say "us" I mean the citizens of British Columbia, and apparently the citizens of Ontario and Quebec, because in this decision of the Board of Transport Commissioners of Canada, in the case of the Bell Company, we find more or less the same situation: the large cities objected very strongly to the license contract, to the supply contract; in their case there was no directory contract. I should say this, that the Bell Telephone Company, although a much larger organization, does not engage purchasing agents. They do business with the Northern Electric Company, but they do not pay purchasing commissions in doing that business, but we find that the B.C. Telephone Company require to make arrangements with another company to do their purchasing. I was also interested in looking through this Bell judgment to find that in 1929 the service contract percentage was reduced from $1\frac{1}{2}$ per cent to 1 per cent, but our Canadian boys were a little smarter than the Bell Company, and we did not get our reduction until just before the rate hearing in 1950, and I think it is very significant that just before that rate hearing came on, suddenly the telephone company found it desirable to negotiate reductions in the percentage paid to the supply company, and the percentage paid to the license company. Further, while we were paying $1\frac{1}{2}$ per cent on our license contract, and the Bell Company were only paying 1 per cent, the Bell Company were getting a service which included the expenses of anybody they found it necessary to call upon to come and render service to them, whereas the telephone company's contract obligates them to pay the expenses of anybody who comes out to give them any service. I would like to say further that the Bell Telephone Company of Canada gets their service from the American T. and T., and the American T. and T. undoubtedly have a very fine

laboratory, and they undoubtedly have a very large organization of experts, and so there is some semblance that they are able to render a valuable service under their service contracts; but so far we have not been able, because of the limited powers of the commission, to find out just exactly the kind of service that the telephone company receives. So, I would ask you, gentlemen, whether you cannot see your way to make a recommendation that the powers of the Board of Transport Commissioners be enlarged so that there is no question when these matters come before them we will not be met by objections from opposing counsel that we have no rights to go into these matters, and I would further say on this question that the board are bound by precedent. I am not a lawyer, but I have been in a good many lawsuits for the city of Vancouver, and I know what a terrible thing precedent is. You are confronted with a judgment that somebody rendered in London in 1670, and it seems to be pretty difficult to get around that, but I suggest when it comes to matters relating to the regulation of public utilities that times are changing. You know in America after the totter of the Insul Empire and many of the large utility holding companies, the public began to waken up, and demand something to be done to curb the activities of these power barons, an over the years the utility commissions in the different states are beginning to make it pretty hard—

Mr. MURRAY: I think that is objectionable, Mr. Chairman.

The DEPUTY VICE-CHAIRMAN: I think that is all right.

Mr. MURRAY: Well, I happen to have known some of the gentlemen, and I am quite an impartial member of this committee, but they were associated with the founding of the B.C. Telephone Company and they were all of high integrity, and they were not, as has been said—

The DEPUTY VICE-CHAIRMAN: You will be able to cross-question the witness as soon as he has finished his evidence. Go ahead, Mr. Brakenridge.

The WITNESS: All I wanted to add was that it seems to me there should be some way in which the commission may not be bound by a judgment that was given 25 years ago when the conditions probably were quite different from what they are today. That, Mr. Chairman, concludes my submissions.

The DEPUTY VICE-CHAIRMAN: Mr. Applewhaite wanted to ask the first questions.

Mr. APPLEWHAITE: Perhaps one should just clear with the committee the status here. I am asking you for a statement of opinion which we will accept. Is it the position of this committee that Mr. Lett for the B.C. Telephone bill has the privilege of cross-questioning the last witness or not?

The DEPUTY VICE-CHAIRMAN: Section 779 of rules and forms state: "the conduct of the business before the committee is regulated as the committee may think most convenient, et cetera". It has been the policy of committees such as this to allow committee members to question witnesses on the stand. It has not been the policy in the past to bring outside counsel to question a parliamentary agent.

The WITNESS: I have no objection whatever.

Mr. APPLEWHAITE: Well, it is not a question of the witness objecting.

The DEPUTY VICE-CHAIRMAN: Go ahead.

By Mr. Applewhaite:

Q. Witness, have you with you a copy of the resolution of the Vancouver city council whereby they adopted this report?—A. No, I have not, Mr. Chairman.

Q. Where did you get the information that the president of the B.C. Telephone Company was also the president of the Supply Company?—A. I did not

say that the president of the B.C. Telephone Company was the president of the Supply Company. I said the president of the Supply Company was president of the Directory Company: or, if I did not say that, that is what I intended to say.

Q. That is what you intended to say?—A. Yes.

Q. Referring to this city's brief, and filed by the honourable member for Vancouver Quadra, Mr. Green, you will find attached these last four pages of what is stated to be extracts, a report dated December 8, 1950, made by Messrs. McTaggart and Brakenridge to His Worship the Mayor and the city council: what was that report?

The DEPUTY VICE-CHAIRMAN: Is this the report you are referring to: "judgment—telephone rates"?

Mr. APPLEWHITE: Yes.

The WITNESS: That, Mr. Chairman, was a report presented to the city council by Mr. McTaggart and myself, Mr. McTaggart having been retained as counsel on behalf of the city when the rates case was before the Board of Transport Commissioners, and I also was retained by the city, and consequently at the close of the hearing when the judgment had been rendered, this was our report on the judgment that we had received.

Q. Is this annex here the entire report?—A. No.

Q. Are you filing the entire report?—A. No, I do not—

Q. On what basis of selection were the extracts made? Why were some parts extracted and some parts not?—A. The only thing I think that actually is an issue was that the parts that were extracted related to the points of issue. I do not think there is any objection to filing the whole report.

Q. Have you included in these extracts all references to the three contracts: supply, service and directory purchasing contracts?—A. In the reports?

Q. Yes.—A. Yes.

Q. Well, I have in my hand what is supposed to be a copy of the original report as delivered to the solicitor for the telephone company by Mr. A. E. Lord when they forwarded to him this brief: on page 11 the initials at the bottom are C.B., and N.M.: those C.B. initials, are those yours?—A. Yes.

Q. Was the report signed by you?—A. It was signed by both Mr. McTaggart and myself.

Q. Were you really the author of this report?—A. No, it was a joint report.

Q. Were you a co-author of it?—A. Yes.

Q. On page 6 there is a section headed "Grouping of Exchanges": that was not included in the part filed with this committee?—A. No, because that was not an issue before this committee. We would like very much to have brought that question up but we did not see there was any ground on which we could do so.

Q. On page 9 there is a heading, "Ex parte submissions": That was not included in these extracts submitted here?—A. No, that had nothing to do with this committee either.

Q. On page 9 there is a section headed "comments on judgment of the board": that was not included?—A. No.

Q. On page 10 there is a paragraph which starts: "No attempt should be made to minimize the serious nature of the outlook caused by the board's recognition of the three contracts, etc.": that was not included in the extract filed with this committee?—A. No.

Q. Would you say it is a fair inference to draw that the signatories of this report did not particularly like the board's judgment?—A. I certainly would.

Q. Was any action taken by the mayor and council upon the suggestion contained in this paragraph: "Comments on judgment of the board"?—A. You mean with regard to appealing?

Q. Yes.—A. Yes.

Q. Your comments said: "The issue now before the council becomes one of deciding whether any action should be taken to appeal the judgment of the board. In this connection two courses of possible action are open to the council. One would be an appeal to the Supreme Court of Canada on any question of law, subject to leave to lodge such an appeal having first been obtained from the Board of Transport Commissioners for Canada. The other would be a wide open appeal to the Governor in Council at Ottawa." Did the city take action to appeal the judgment of the Board of Transport Commissioners?—A. No, the city gave serious consideration to the matter of appeal, and they came to the conclusion that in view of the rise in costs that had been taking place subsequent to the hearing that possibly those costs would submerge any consideration of the points at issue.

Q. So the case was decided by the Board of Transport Commissioners, and the city of Vancouver had the right to appeal either to the Supreme Court of Canada or the Governor in Council, and did not?—A. That is right.

Q. Was any further action taken by the city on the rate application judgment?—A. What further application?

Q. I say was any further action taken?—A. None that I know.

Q. Turning to the city's brief, this is the one date February 9, 1951, the first paragraph states that notification of the application for a private bill was referred by the council on January 15, 1951, to the chairman of the Utilities and Airport Committee for consideration and report; is that correct?—A. Well, I would presume so. I am not in a position, of course, to swear.

Q. Did you advise that committee and assist it in the preparation of this report?—A. Yes, I did. Mr. McTaggart and I both sat in.

Q. The brief says at the bottom of page one: "your committee consider that the outstanding feature of this 'application' is contained in item (a) whereby the company seeks to obtain power to increase its authorized capital from the present limit of \$25 million to a new limit of \$75 million, which would thereby treble the present limit". That is correct, is it? That was your recommendation?—A. Yes.

Q. Then, turning to page 3, you have a paragraph: "your committee would accordingly recommend that the city should at this time oppose the application of the company to obtain such an excessive increase in capital authorization (from \$25 million to \$75 million) as provided for in the bill now being presented." That is a correct excerpt from the report, is it?—A. Well, we did not make any—

Q. Is that a correct extract from the report?—A. There is no extract at all. This is the report.

Q. Well, the paragraph I read, is that correct as it appears in your report?—A. I do not quite follow you.

Q. All right. We will call this the city's brief: I refer to page 3, the second paragraph, and I quote: "your committee would accordingly recommend that the city should at this time oppose the application of the company to obtain such an excessive increase in capital authorization (from \$25 million to \$75 million) as provided for in the bill now being presented." Have I read a correct extract from this brief?—A. Yes.

Q. Turning to page 4, the first paragraph: "in reference to the other proposed amendments or additions to the powers of the company as outlined previously under subheadings (b), (c), (d) and (e) your committee see no reason to advance any serious objections to same." Is that a correct extract from this brief?—A. Yes.

Q. In so far as this bill which the committee is considering is concerned, the objection is limited to the one point, namely, that an increase in authorized capital to \$50 million is too much.—A. Well, I am not a lawyer, but I read myself, to you before, and I would draw your attention again to the fact that

the recommendations of the committee were three or four in number. At page 3, the second paragraph is a second recommendation, and the bottom paragraph is another recommendation.

Q. I am talking about the bill, of which you doubtless had a copy: In so far as the bill is concerned, what other part of the bill does the City of Vancouver object to other than the increase in authorized capital of \$50 million?—A. As I say, I am not a lawyer. I cannot answer legally. I do not know your procedure about bills. I say quite definitely, and you have heard stated here: "If the Council concurs in the views advanced in the foregoing four paragraphs, your committee would further recommend that the city take all possible steps to endeavour to have presented to Parliament the onerous nature of the contracts to which the B.C. Telephone Company is now subjected, when the Private Bill of the Telephone Company is under consideration, in an endeavour to obtain relief or amelioration from the adverse consequences of such contracts."

Q. There is the bill at present before the committee: bill E of the Senate, and No. 116 of the House of Commons: is there any reference to those particular contracts in that bill?—A. No, but I presume the bill could be amended.

Q. I am talking about what is in the bill now. What does the City of Vancouver object to now in the bill other than the increase of capital?—A. The City of Vancouver's position as far as I know, without being a lawyer, is if this bill is coming before parliament which makes it necessary to open the telephone company's bill, we say it should be in order for parliament to consider whether they should not make some other amendments.

Q. I am coming to what is not in the bill, but I am talking now about what is in the bill?—A. Yes, but I am not a lawyer—

The DEPUTY VICE-CHAIRMAN: I have one section I would like to read here: "Section 785: it is in the power of the committee to make alterations in the preamble, either by striking out or modifying such allegations as may not have been substantiated to their satisfaction, or by expunging such as the promoters may be desirous of withdrawing; but no new allegations or provisions ought to be inserted, either in the preamble of the bill excepting such as are covered by the petition and the notice, as provided before the Standing Orders Committee—unless the parties have received permission from the House to introduce such additional provisions, in compliance with a petition for leave. Every material alteration in the preamble must be specially reported to the House, with the reasons therefor." The second one is: "section 537: a committee can only consider these matters which have been committed to it by the House."

"A committee is bound by, and is not at liberty to depart from, the order of reference. In the case of a Select Committee upon a Bill, the Bill committed to it is itself the order of reference to the committee, who must report it with or without amendment to the House." I bring those two references to your attention, to show you what is before the committee, and if we can carry on and keep our attention upon the bill that is before the House, I think we would move a little faster.

Mr. APPLEWHAIT: I am asking the opinion of the City of Vancouver from this volunteer witness who is down here on behalf of the city of Vancouver. I am not trying to shut out any evidence he may want to bring in.

The DEPUTY VICE-CHAIRMAN: Might I interrupt again and advise you that this is not a witness in the ordinary sense, he is parliamentary agent for the City of Vancouver.

By Mr. Applewhait:

Q. I am trying to find out what the view of the City of Vancouver is in connection with the proposition so far made by the company as appearing in the bill. Have they any objections to the proposal so far made other than as to

an increase in the capital of \$50 million?—A. No, I do not think they are objecting to the splitting of the shares and those features which I recollect are the balance of the bill.

Q. That is the view of the City of Vancouver, is it, that the first paragraph, is the objectionable one, the first one?—A. I think so, but again I must reserve my statements because as I said before I am not a lawyer and when you start dealing with the intricacies of a bill I think I am hardly prepared to answer.

Q. In so far as you have gone, is that your own view as well as that of the City of Vancouver.—A. What is my own view—in regard to this bill?

Q. Yes. —A. Now, again I hardly know what you are asking.

Q. Is it your own opinion as well as that of the City of Vancouver, the answers you have given so far?—A. With regard to the clauses in the bill?

Q. Yes. Do you agree with the City of Vancouver?—A. Yes. I agree with the City of Vancouver.

Q. You have heard the evidence of Mr. Farrell and Mr. Hamilton as to the company's requirements, which they have set down as being approximately \$100 million for the next seven or eight years. Would you say those estimates are wrong?—A. I would say they are certainly optimistic and I have already pointed out that during the years 1949 and 1950 which in my opinion were probably boom years, and when as I said, materials were in supply and labour, as well, was easy, the company could not do better than around \$7 million and I say that that is very good proof that the company is not likely to do any better in the years ahead and particularly in the next two or three years.

Q. Then you would say that Mr. Farrell and Mr. Hamilton are wrong when they estimate the company's requirements at approximately \$100 million for the next seven or eight years. —A. I think they are too optimistic as to how they are going to be able to carry out that volume of work.

Q. Would you say the specific estimates of commitments for the years 1951-52 are wrong?—A. I have not seen these specific estimates.

Q. I think you have heard the figures read into the record. Have you any particular classification which you say is wrongly estimated?—A. I was not furnished with a copy of this information. I do not know if I was supposed to be furnished with it. I was passed by when exhibits were handed out.

Q. You heard the discussion?—A. Oh, yes, I heard the discussion but I did not benefit from any of the exhibits.

Q. Mr. Hamilton read into the record, as far as buildings were concerned, that in 1951 they required \$624,300; in 1952 \$580,000; in 1953 \$432,000. Would you question those figures?—A. I would on the basis of the same figures that were submitted to the inquiry. I have already told you that the company submitted a brief setting out those very same things.

Q. To what inquiry?—A. To the rate inquiry.

Q. How long ago is that?—A. That was in the beginning of 1950.

Q. And it is now the middle of 1951. Would you object to a company bringing its estimates up to date?—A. No, it was not a case of bringing its estimates up to date, it was a case of failure to estimate correctly what they were likely to do in the years ahead.

Q. And you think they have falsely or shall I say, rather, incorrectly estimated them?—A. I say considering what took place up there there is every reason to think that these figures are too optimistic.

Q. Would you give us what you think would be the right figures in 1951, 1952 and 1953?—A. I am suggesting on the basis of the company's performance in 1949 and 1950. Let us suppose that if they were able to expend \$8 million. Now I am accepting Mr. Farrell's statement that there has been a twenty per

cent increase in costs. Consequently you arrive at \$10 million. Therefore I suggest the company will do remarkably well in view of the shortage of material and supplies if they are able to expend \$10 million in the next two years.

Q. Are you basing that on the company's requirements, or on what you think it will be able to spend?—A. More on what I think it will be able to spend than on the requirements.

Q. In so far as the company's requirements are concerned have you any quarrel with their figures?—A. You are asking me about figures that I have not seen but again I will say this as I said before that if the company is not careful and goes on a spree of expenditures beyond the possibility of revenues to match that expansion, then we are going to be confronted with further rate increases.

Q. What I am really trying to get before this committee, I will be frank with you, Mr. Brakenridge, are some figures as to what the needs of the company are, what it is going to need to meet the future demands; the company has submitted a set of figures up to the end of 1953 as to what it needs. Now, are you querying those figures as to the company's needs?—A. I am querying them as to the practicability of the company carrying them out.

Q. Then you do not query their own statements of their needs, but you figure they are not going to be able to meet their needs?—A. That is actually the situation, yes.

Q. Then, in so far as Mr. Farrell or Mr. Hamilton have told this committee that the company's estimated program for the next three years is based on its requirements, you have no quarrel with that?—A. Well, I would not say that. I am not too well satisfied, if I may say so, and quite frankly, with some of the remarks that have been made. I think that there have been occasions when the company have endeavoured to maximize, if I might say so, their requirements in order to justify the authorization of the excessive increase in capital.

Q. In that case these figures may be too high.—A. Yes.

Q. Could you give us an indication which ones are too high?—A. No, I cannot because I have not seen them.

Q. Would it help if I gave them to you?—A. No, I think I would have to study them.

Q. Let us take them by districts. For the greater Victoria and Saanich peninsula they estimate for the next three years, \$3,320,000-odd. Is that too high?—A. Well, I cannot tell you from looking at isolated items. I do not know whether I can tell you by looking at them all together.

Q. The grand total is \$30 million odd. I thought it would be easier if we took them separately.

Mr. LENNARD: I wonder if that is quite fair to the witness. He cannot be expected to answer questions like that offhand?

The DEPUTY VICE-CHAIRMAN: Yes, I wonder if that is quite fair to the witness too; even though he is an engineer he can only give a very limited opinion on that.

Mr. APPLEWHaITE: I am inclined to agree with you, Mr. Chairman. I would put it this way. The witness has come down here and told us that \$50 million is too large an increase. What figure would he substitute?

The DEPUTY VICE-CHAIRMAN: Just a minute. The witness has given his evidence here in which he has criticized—if I might use that word—he has used the word excessive increase in capital authorization; he speaks of oppressive policies, and he speaks of the onerous nature of the contracts. I wonder if you could not just go on those things? I suppose you will still have to find out what the excessive increase is, though.

Mr. APPLEWHaITE: I was going to try to deal with the capitalization first and see what the witness thinks and then go on to the contracts later. I do not want to force anything on the committee or the witness but this witness says

the increase in capitalization is too much. Well, there must be some basis for stating that, and what is the right amount and how is it arrived at? What is the basis for it?

The DEPUTY VICE-CHAIRMAN: I think that question is all right. Are you prepared to give an answer, Mr. Brakenridge?

The WITNESS: As I said before, and I will say again, I think that if the company is able to spend \$10 million in the next two or three years they will do remarkably well and what is ahead after two or three years neither they nor we know.

By Mr. Applewhaite:

Q. \$10 million a year for the next two or three years is just the amount that was estimated.—A. But Mr. Farrell now suggests that the \$10 million should be \$12 million.

Q. I am in the same position as you are, I do not have the details as to that. I did want to know on what you base your emphatic statement that what we are asking is too much. I think this would be a fair question. Would you say that the company was wrong to plan on a seven, eight or ten year basis in view of the industrial expansion taking place in British Columbia?—A. I think it is one thing to plan and another to make commitments, that is what I say. If the company is taken care of for the next five years then we will all be in a better position to know what is ahead of us, and I do not think the company, you, or I can look beyond that.

Q. I put it to you as a reasonable man, would it be reasonable for the management of a company of this size to wish to know what authorized capital it had available in planning for a seven, eight or ten year period.—A. I think it would be desirable as far as that goes, and again I come back to the city's point and I must emphasize it again, the city very definitely says as long as these onerous contracts exist we do not think parliament, if they are not going to give us release from them, should allow the company such an excessive amount of capital, because the only check we have is when they come to parliament.

Q. But you think it is fairly reasonable for a company of this size to know what money it will have available for its plan for the next seven, eight or ten years.—I think that as I said it can plan, but I do not think it needs to know definitely that it has a certain authorized capital. It is quite obvious that the company knows now, has known all along and will know as soon as it really needs money and then they can come to parliament and get it. As I said, on behalf of the city, the city has no desire whatever to see the company short of money; we are anxious to see them with sufficient funds to go ahead but we do not see why they should get this authorization that will carry them over ten or fifteen years.

Q. Would it be sound to operate on a plan that would look forward only to three or four years?—A. That is what they have been doing. They were here four years ago, in 1947.

Q. With a five year plan at that time?—A. Yes, and that evidently was perfectly satisfactory.

Q. Anything but; they are back here again. I ask you this, would it be sound to plan on a one or two or three year basis?—A. No, I do not think so.

Q. How many years do you think it should be?—A. I think they should be covered for four or five.

Q. And desirable for six or seven?—A. No, I would not go one year beyond the five.

Q. I think you said it was reasonable for them to wish to know for five or six years ahead.—A. Yes, as far as planning goes, I think it is desirable.

Q. Now, returning to this city of Vancouver brief, the matter in which I think you are interested, on the second page of the third paragraph.

It should be remembered that this company, although providing a vital public utility service within the limits of the province, does not come under the close and continuing scrutiny of the B.C. Public Utilities Commission as would be the case if the B.C. Telephone Company had not obtained original incorporation by an Act of the Parliament of Canada.

It contains the expression
does not come under the close and continuing scrutiny of the B.C. Public Utilities Commission.

What is meant in that phrase "close and continuing scrutiny of the B.C. Public Utilities Commission"?—A. Just what it says, Mr. Applewhaite. I can speak with considerable authority on the close and continuous scrutiny of the Public Utilities Commission. The B.C. Electric are called upon to file every year a complete and detailed report of all their expenditures and all their revenues—broken down in the most minute detail. And I would say, further, that the Public Utilities Commission right at the inception absolutely refused to allow the B.C. Telephone Company to make or take into account inter-corporate transactions.

Q. The B.C. Telephone Company?—A. Did I say the B.C. Telephone Company? The B.C. Electric.

Q. What scrutiny does the Board of Transport Commissioners exercise over the affairs of the B.C. Telephone Company?—A. I suppose they file some sort of an annual report. I do not know actually.

Mr. MURPHY: I do not think it is a fair question of the witness; it is not up to him to know.

Mr. APPLEWHITAITE: I did not draw this brief.

Mr. MURPHY: You are asking what jurisdiction the Utilities Commission has?

The DEPUTY VICE-CHAIRMAN: Over the B.C. Telephone Company?

Mr. APPLEWHITAITE: Yes.

The DEPUTY VICE-CHAIRMAN: I do not know if they have any.

Mr. APPLEWHITAITE: I am talking about the Board of Transport Commissioners.

Mr. MURPHY: I do not think the witness is expected to know that.

The WITNESS: I can answer it to this extent. The B.C. Electric—

By Mr. Applewhaite:

Q. I am talking about the Board of Transport Commissioners?—A. I know you are, but I am referring to the sort of thing—

Q. I did not mean to interrupt you.—A. The B.C. Electric is called upon to file a complete breakdown of its activities and its rate of earnings in every area—for every service that it renders.

Now, I would like at this time to tell you something I forgot to tell you and I think it comes in here very appropriately. When the hearing was held before the Board of Transport Commissioners, the city of Vancouver objected very strenuously to the fact that there was no information available segregating the long distance toll lines business from the exchange business. It was quite significant that the company were asking for an increase in the rates for exchanges but they were asking no increase in the rates for long distance business. We said: Well, show us how the long distance business is doing so that we can see whether the exchanges are not being called upon to subsidize the long distance business. We were told the company had no such separation—which seemed to be a most remarkable thing.

Mr. Farrell, or Mr. Hamilton, told us the company were embarking on spending millions of dollars on long distance toll lines, yet they do not know whether that business is profitable. They have no information available to show whether the expenditure of those millions on long distance lines is warranted or not.

Q. Well, I have not the slightest idea.—A. All I am saying is if the B.C. Telephone Company came under the scrutiny of the B.C. Public Utilities Commission they would certainly be called upon to provide that information. We asked the Board of Transport Commissioners to order the company to furnish that to us, and the Board said "no".

Q. Well, dealing with the Board of Transport Commissioners for a moment, have you information as to the extent which it exercises scrutiny over the B.C. Telephone Company? If you have not, I am satisfied?

A. Except I know, from my knowledge of the meticulous information necessarily filed with the B.C. Public Utilities Commission, that the telephone companies are not called upon to do anything of that kind—in fact I say they could not because they have not the information.

Q. You have just said what would happen if the B.C. Telephone Company was under the B.C. Utilities Commsision—but what power over the B.C. Telephone Company does the B.C. Utilities Commission have?—A. It would have full power over them if they were registered in the province as a provincial utilities company.

Q. What powers other than those limited to the reasonableness of rates and tolls?—A. It has power to investigate—I am trying to distinguish between the situation we are confronted with them when we come before the Board of Transport Commissioners and when we go with a utility company before the B.C. Utilities Commission.

Q. I am talking about a telephone company?—A. I am trying to give you a comparison.

Q. Can you give us it for a telephone company?—A. How do you mean, a telephone company?

Q. I am trying to find out the jurisdiction which the B.C. Utilities Commission has at the present time over telephone companies?—A. They would have the same jurisdiction over a telephone company as over every other kind of company.

Q. What do they order B.C. telephone companies to do—other than orders limited to the reasonableness of rates and tolls?—A. I do not know; I never have had any dealings with telephone rates before the Public Utilities Commission. As a matter of fact I think the B.C. Public Utilities Commission has been so crowded out with the city's insistence on complete control of the B.C. Electric and other large operations that they have to look after, that probably they have not got the staff to pay very much attention to the smaller companies—particularly when they are not asking for increases.

Q. I suggest their powers of ordering telephone companies are pretty well limited to decisions as to the reasonableness of their rates and tolls; and I think the same applies to the Board of Transport Commissioners here.

Mr. FULTON: What telephone companies are you referring to?

Mr. APPLEWHIAITE: Those which are within the B.C. Telephone Company—the four subsidiaries are registered in B.C.—the Chilliwack and Mission companies, and the others are registered in B.C. The telephone company which is owned and operated by the city of Prince Rupert is another.

In connection with this paragraph I referred to, is it the intention that the B.C. Utilities Commission is more efficient in its regulatory duties than the Board of Transport Commissioners?

The WITNESS: Yes, I think it is.

Mr. MURPHY: I do not think that is a fair question.

Mr. APPLEWHITE: Why not?

The WITNESS: Because of their powers—I think I have said the Board of Transport Commissioners have not got the powers which the Public Utilities Commission has.

The DEPUTY VICE-CHAIRMAN: That is an expression of opinion but I think it is in order.

By Mr. Applewhaite:

Q. Lower down on the same page you say: "Our attention has been directed to another possible aspect of this proposed large increase in authorized capital. There appears some likelihood the company may be seeking to increase substantially the proportion of common stock in their capital structure."

You know now that is exactly what the company does propose to do, because you have heard Mr. Farrell and Mr. Hamilton give evidence they are trying to move towards a basis of 50-50 bonds and stock. Is not that correct?—A. That is right.

Q. The company states that themselves: Then, on page 3 in the third paragraph you say: "Your committee further consider that the city should take advantage of the opportunity now being afforded, when the application of the British Columbia Telephone Company to obtain extra powers comes before parliament, to press for some relief from the oppressive policies now being carried on by the companies."

I take it "the oppressive policies" refers to the matters dealt with in the next paragraph—your reference to the situation disclosed dealing with license, supply, and directory contracts stated to be now in effect?—A. That is right.

Q. Is there any suggestion the company's policies are "oppressive" in relation to the treatment of employees or their wages or pension plans?—A. No, certainly not.

Q. Does the expression "oppressive policies" refer to the three contracts in effect as at February, 1951—as at the date of this report?—A. Those are the fundamental references.

Q. Do you know, or did the author of this report know what contracts were in effect at the date of this report—February, 1951?—A. We naturally took it that the same contracts were in effect as at the time of the hearing.

Q. You did not check that?—A. We did not consider there was any reason for checking it.

Q. You are aware of the published advertisement of the company's intention to apply to parliament made in December, 1950?—A. I cannot be sure.

Q. And probably that notice was sent to the city hall on the 3rd of January, 1951?—A. I presume so but again I do not know.

Q. Was there any request made by the city to the telephone company for further information?—A. Not that I know of.

Q. Were the officials of the B.C. Telephone Company asked to meet with the city council?—A. I cannot say that; I am not a servant of the council now. I do not know just exactly what transpired.

Q. Was further information requested regarding the three contracts to which you refer in the report?—A. No, I do not think so.

Q. Was any inquiry made as to whether the contracts were in effect before this report was signed and submitted to the council on February 9th—some weeks after the advertisement?—A. I do not think so. I do not see why the city should think there was any likelihood of contracts being changed.

Q. Did you or Mr. McTaggart make any inquiry?—A. No.

Q. You do know now the supply contract in effect at the time of the rate hearing is no longer in effect and a new contract was negotiated in December

1950?—A. I know that now—I just learned it I might say on the eve of my departure for Ottawa. Mr. Lett got in touch with corporation counsel and advised them.

Q. Did you or anyone take steps to advise the Vancouver members of parliament to which copies of this brief were sent that the old contract was no longer in effect?—A. No—anyone I met I informed that we had since been advised—

Q. Did you so advise the Vancouver members of parliament to whom this was sent?—A. I did not—I advised—

Q. This went out and I quote—"Reference is made particularly to the situation disclosed in the report of the special committee re telephone rates which was adopted by the council on December 27, 1950, relating to the licence, supply and directory contracts now in effect between the British Columbia Telephone Company and its parent and affiliated companies."

Mr. Brackenridge I submit that statement that I quoted to you was not correct at that time? Those contracts were not in effect?—A. I would say in reply to that that it was certainly up to the telephone company to notify the city when they changed the contract. They knew the city's opposition and it was the least they could have done to let us know.

Q. That is the reason why you feel that you or the city were justified in mailing out in quantity and filing here a statement which says that they are now in effect—when actually at least one was not?—A. I think the failure if any rested with the telephone company. And further, I would like to say the company have made two changes in the contract—

Q. Are you familiar with the terms of the new supply contract?—A. Well, I have seen it, yes.

Q. And you heard Mr. Hamilton's statement to the committee that the new contract gives full effect to the judgment of the Board?—A. Yes.

Q. Would you say that was correct?—A. I could not say that because the judgment of the Board does not say on what basis they arrived at the amount of money which they say should be deducted, and we are completely in the dark. We have asked the telephone company to furnish us with some information, on the basis of the new contract, of the figures contained in the judgment of the Board of Transport Commissioners so we can see whether or not it does comply.

Q. Then one of the following is correct: in your opinion Mr. Hamilton's statement that it gives full effect to the judgment of the Board is either correct, or incorrect, or you do not know which it is?—A. No, but I would say this. I was looking over the transcript of the evidence the other day and I found in it a statement by Mr. Hamilton that no percentage was charged in the old contract for automatic equipment, and it would appear now that there is a percentage charged for automatic equipment.

Q. What I am trying to do is to find out the truth of Mr. Hamilton's statement—that the new contract does give full effect to the judgment of the Board. If you do not know I am not trying to pin you down.—A. I do not know, and until one saw a breakdown it might be very difficult to satisfy everyone that it gave full effect. The Board does not state how they determine this \$117,000. There are probably about ten different ways in which they could effect a reduction. I do not think unless Mr. Hamilton has access to the railway board that he knows how they computed it—no one can say.

Q. Mr. Hamilton said it did give full effect?—A. Yes, he did.

Q. At the bottom of page 3 the last paragraph says: "If the council concurs in the views advanced in the foregoing four paragraphs, your committee would further recommend that the city take all possible steps to endeavour to have presented to parliament the onerous nature of the contracts to which the

B.C. Telephone Company is now subjected, when the private bill of the telephone company is under consideration, in an endeavour to obtain relief or amelioration from the adverse consequences of such contract."

Mr. Brakenridge, before the rate hearing did you investigate the contracts with Mr. Norris, Mr. McTaggart, Mr. Magill and Grant Ross of Clarkson, Gordon and Company?—A. Yes.

Q. How long did that investigation take?—A. Well I suppose I was engaged on and off for several months.

Q. They were given copies of the contract and all information relating to the contract which you or any of the other gentlemen required prior to the hearing?—A. Yes.

Q. You were present at the hearing?—A. Yes.

Q. And did you give evidence?—A. No.

Q. Were you given the fullest information regarding these contracts during the hearing?—A. I do not quite follow you.

Q. Was anything held back that might have been of use to you? Did they hold back any information?—A. Generally speaking, no. I think the company treated us very well in that regard.

Q. Were the contracts fully investigated by the Board of Transport Commissioners?—A. No, that is what I say. I started out by telling you in my opinion the Board of Transport Commissioners were not in a position—they did not have sufficient authority to fully investigate these contracts.

Q. Because they did not go a step further in the operating structure?—A. That is right.

Q. So far as these contracts were concerned they were before the Board of Transport Commissioners?—A. They were before the Board of Transport Commissioners, yes.

Q. Does your report or that of the Utilities Committee quote anywhere the findings of the Board of Transport Commissioners on any of the three contracts?—A. No, I do not think it does.

Q. Though they did hand down findings on the three contracts?—A. When I say: "I do not think it does", perhaps I am wrong in that. I think the extracts are here. I think it does. Yes, the Board ruled that the contract was bona fide, and a means whereby the British Columbia Telephone Company obtained valuable patent rights.

Q. That is just a summary. It is not an extract.—A. No, it is not an extract. None of them are extracts.

Q. But it is a correct report. Have the payments under these three contracts any particular relation to the application which is now before us for an increase in the authorized capital? I am asking at the moment whether they have any relation to the amount of issued capital? I shall ask you if these contracts have any relation to the application for an increase of authorized capital?—A. Yes, we say that they have. We say that the company should not be granted an excessive amount of authorization until we are able to obtain some amelioration of these contracts.

Q. If you were to obtain some amelioration of these contracts, it would then be acceptable, in your opinion, to authorize \$50 million. Is that so?—A. I think the city would certainly have more confidence if they felt there was not any of these operations which we say syphon off profits which properly the company would have, and send them into the Anglo.

Q. I am sorry that I have got to put it this way. You may complain if you think it is too stiff. But is it not a fact that you are endeavouring to use this application for an increase in capital as an appeal from a decision of the Board of Transport Commissioners in a rate case?—A. No, that is not the situation at all. I would say this, very definitely, that our experience before the

Board of Transport Commissioners clearly indicated to us that the powers of the Board of Transport Commissioners were not sufficient, and were not broad enough to enable the commissioners to control this monopolistic company.

Q. If the amount of authorized capital were cut down by this committee, would that afford any relief to the telephone users from the contracts of which you complain, but which have been approved by the Board of Transport Commissioners?—A. No. It would mean that we would get another opportunity if we were not successful at this time. We appeal to this committee now to broaden the powers of the Board of Transport Commissioners so that they can handle their investigations in a thorough manner.

The DEPUTY VICE-CHAIRMAN: I do not think we have any authority here even to make a recommendation to the Board of Transport Commissioners. I think that would have to come before parliament. I do not think it is relevant to this matter at all.

Mr. GREEN: I think we could make a recommendation to the House, Mr. Chairman.

By Mr. Applewhaite:

Q. Mr. Brakenridge, I ask you to believe me when I say that I am not trying to put words into your mouth. But in effect what you are really telling us in this application is that the Judgment of the Board of Transport Commissioners was wrong.—A. No, I would not go that far at all. I say that the powers of the Board of Transport Commissioners are apparently so restricted that they are not able to find out. And to give you an illustration, our accountants found that this Canadian British Columbia Telephone and Supply purchased some Telephone Security shares from the Northwest Company in 1948, that they paid some \$400 thousand odd for those shares, and they paid about \$80,000 in cash and gave a note for the balance at 5 per cent interest. At the time they bought those Telephone Security shares, they were non-revenue producing. So we say that the Board of Transport Commissioners should have the fullest power to go behind the transaction of the Canadian British Columbia Telephone and Supply and find out what was the reason for that transaction.

Q. At the moment I am dealing with this report which was prepared for the last rate application. In your opinion was the Judgment of the Board of Transport Commissioners wrong or not?—A. I am trying to tell you that the Board of Transport Commissioners were not in a position to apprise fully the significance of these contracts.

Q. You do not know whether they came to the right or wrong decision?—A. No. They did not have the information we have; but in turn we were not able to get all the information out.

Q. Was the management of the company wrong in its stand before the commission, at that hearing?—A. How do you mean?

Q. Did the management of the company take a wrong stand in applying for an increase in rates based on many other things? Did the situation necessitate including the three contracts?—A. I do not fully understand the question. Do you mean to say that if the contracts are proper, then the application was right?

Q. Yes. Was the application right or was it wrong?—A. We say the application was not right because some of the income which should have been shown as coming to the British Columbia Telephone Company was shown as going to the Anglo-Canadian Company.

Q. So it is likely then that the Judgment of the Board of Transport Commissioners was wrong?—A. No, I would not say that. I feel that the Board of Transport Commissioners did not have sufficient power to investigate thoroughly the whole situation.

Q. And you would not agree with them in their view that parliament should reverse the Judgment of the Board of Transport Commissioners in so far as it dealt with matters contained in this report?—A. No. I presume that until the Board of Transport Commissioners are given further powers, there is nothing that can be done.

Q. I would like to clear up one thing. You said a few minutes ago that if relief was granted in connection with these contracts, the City of Vancouver would then not object in connection with this application for a \$50 million authorization.—A. I am not in a position to say that.

Q. Then how do you tie this in? What is your line of reasoning for that?—A. I am not in a position here to speak for the City Council of Vancouver, as to what they might do under certain circumstances. It would be presumptuous on my part to say what an elected body of aldermen would do under a certain set of circumstances.

Q. You did say that if we could get these contracts validated.—A. I am sure they would look at it in a very different light.

Q. Why should they look at the application for an increase in capital in a different light because you make some changes in a contract?—A. Because they feel very apprehensive about the situation which has been disclosed.

Q. Supposing there was a very drastic change in the nature of these contracts whereby a lot of money was saved to the British Columbia Telephone Company, would the City of Vancouver expect the savings to be passed on to the consumers, the telephone subscribers?—A. Yes.

Q. They would not expect the savings to be ear-marked into capital, for capital expenditure?—A. No.

Q. There is no connection with that?—A. No.

Q. This whole matter of the contract is entirely a matter of rates and not one of authorized capital at all.

Mr. MURPHY: He did not say that. You are making that statement, Mr. Applewhaite.

By Mr. Applewhaite:

Q. Is or is not the whole matter of the operation of these contracts purely a matter affecting the telephone rates in the final analysis?—A. I do not follow you.

Q. Supposing you save the company some revenue by a correction of what you believe to be wrong in these contracts, where would that saving go?—A. It would go towards the reduction of rates.

Q. All of it?—A. I would expect so.

Q. There is just one other thing I want to ask you. You are suggesting that although it is reasonable—you do not say desirable—you said it was reasonable for the company to plan ahead for some years. You do not think that they should at the present time be put in a position where they are financing ahead for some years?—A. No.

Q. Would you advise the city of Vancouver to undertake to build a bridge across False Creek if you knew they only had money enough to get half way?—A. No, I would not, but I cannot see any connection between the two situations. You might just as well ask me if I would advise the telephone company to build half a building. That is not the situation at all.

Q. You said that commitments were of no account at all. Would you advise the telephone company or the city of Vancouver or anybody for whom you were acting to make commitments if they did not know where the money was coming from?—A. No, certainly not. What I intended to imply was: Why mix up the actual expenditure of money over the years by talking about commitments? If you measure year by year the actual expenditures, what better measure could you have by bringing commitments into that measure? That is the point.

Q. The reason I brought up commitments is that I am speaking at the moment about the future capital of the company; what it is going to issue and what it is going to spend.—A. It is not making commitments this year for ten years or anything like it.

Q. If they expect \$10 million of capital, do you think they should make commitments for twenty?—A. No.

Mr. APPLEWHITE: That is all.

The DEPUTY VICE-CHAIRMAN: Are there any further questions of the witness? Are we ready for the bill?

By Mr. Laing:

Q. Before you call the bill, Mr. Chairman, I would like to ask a question or two of Mr. Brakenridge. I rather gather that Mr. Brakenridge—and I am assuming nothing—that his view expresses the view which is held by the members of the Vancouver City Council, who are apprehensive about the British Columbia Telephone Company in respect to the buyers of the telephone company's service. Is that correct?—A. That is correct.

Q. I would assume that the interest of the City Council would be to obtain telephone service from the company as cheaply as possible, and I do not think their interest would go beyond that. Is it not correct that you have brought up quite a number of things, none of which relate to the main objection you have raised, namely, the increase in capital? The objections you have raised are objections which can be corrected not by this body, rather by another body, namely, the Board of Transport Commissioners. Is that not correct?—A. No. It seems to me that the Board of Transport Commissioners does not have the power.

Q. Well, you will admit that they cannot be corrected by this committee? —A. Well, I must say that I was under the impression that this committee could make some recommendation, or that parliament could enlarge the power of the railway board.

Q. You made a statement here, and I took it down as closely as I possibly could: "The only check we have is when this company comes before parliament". I would assume if you represent the views of the city council that you have unsuccessfully represented the view of the people of Vancouver to the Board of Transport Commissioners, and you consider today that your redress is to come before this committee, and you suggest, instead of a \$50 million increase, the company be granted only \$25, and then, theoretically, if they are not good boys, they will be able to come back again and get them before parliament again, because in effect I rather think that you—and you must represent the views of the city council—have not the confidence in the Board of Transport Commissioners.—A. That is not a fair way of putting it. It is not a case of lack of confidence. It is our viewpoint that the railway board obviously—those quotations I gave you were to indicate, and the board say, in effect, that the jurisdiction is limited.

Q. Let us get on another angle here: your prime objection to this bill, or the objection that you made, was that you thought the increase was too high?—A. Yes.

Q. The others, (b) (c) (d) (e) you had not much objection?—A. No.

Q. The objection is that the increased capitalization sought is too high. You will admit that the passing of this bill does not mean there is any more investment forthwith in the company? The company has to go to the Board of Transport Commissioners and lay down their program and suggest how the shares are going to be sold, and so on? They have got to get that ratification also from the Board of Transport Commissioners. I will suggest to you, if you had the confidence, that I think everybody here would like to see you have, in the Board of Transport Commissioners then you would have no objection to this bill at all; is that not correct?

Mr. HATFIELD: The Board of Transport Commissioners cannot reduce the amount.

Mr. LAING: That is not the question at all. If you had absolute confidence in the Board of Transport Commissioners, which it would seem to me you do not have—

Mr. HATFIELD: He did not say that.

Mr. LAING: I said, "which you do not seem to me to have": it is my interpretation.

The WITNESS: I certainly object to any interpretation that I have not confidence in the Board of Transport Commissioners. But what I have tried to emphasize all along is that it is now apparent to us that the Board of Transport Commissioners have not got sufficient broad powers to enable them to go behind the scenes and look into all that is going on behind, and until they get those powers then obviously we are not going to get very far.

Q. That was not the sole objection you raised in reference to the Board of Transport Commissioners.—A. Yes, I think it was.

Q. The sole objection?—A. I endeavoured all the way through, and as I say, the quotations I gave you all referred to the interpretation the Board of Transport Commissioners put on their powers: everyone of them.

Q. You will admit that the passing of this bill does not mean the expenditure of another single cent by the B.C. Telephone Company?—A. No, but it is the first hurdle, and the biggest hurdle.

Q. So that because you are apprehensive concerning the Board of Transport Commissioners, you suggest that every two or three years the company should come back?—A. No, I do not.

Q. Or every five years?—A. No, the suggestion I am advancing, and I may be in the wrong shop, but I am advancing the suggestion that the city of Vancouver would like to see the powers of the Board of Transport Commissioners enlarged so they could look in behind the scenes.

Q. In other words, you do not think the Board of Transport Commissioners as at present constituted, or with the powers it presently holds, are in a position to protect the citizens buying these services?—A. Adequately, that is right.

Q. Well, that is, I think, a serious condition for a council or its people of a major city to have. I do suggest that we can do nothing here by holding up this bill—and there may be some debate on it in parliament—but I do not see how you can suggest for a minute that the situation of the Vancouver city council, or its people, who are the subscribers, can be ameliorated or aided by holding up the bill.

Mr. MURPHY: I think the evidence given by the witness would be one reason, Mr. Chairman, for this committee bringing in a recommendation in making the report.

The DEPUTY VICE-CHAIRMAN: I do not think that is in order. Are those all the questions you have?

Mr. LAING: Yes.

Mr. HERRIDGE: Mr. Chairman, I have one question: after this bill is passed, in view of the evidence that has come before the committee, in your opinion has not this committee the power to make a recommendation to the House in respect of the matters mentioned as to the apparently limited powers of the Board of Transport Commissioners?

The DEPUTY VICE-CHAIRMAN: I would not like to make a snap decision on that. I think we have powers to do something along that line, but I would like to give a little consideration before I make a final decision on it.

Mr. MURPHY: I wonder if those questions that I asked for earlier could be answered?

The DEPUTY VICE-CHAIRMAN: I think Mr. Lett has them now. Are there any questions of this witness now? Then, Mr. Lett, you may give those answers Mr. Murphy asked for.

Mr. LETT: The answers to the questions asked today, according to information supplied to me by the auditors: the value of the shares: December 31, 1948, value per share \$112.15; December 31, 1949, \$114.92; December 31, 1950, \$120.27.

Mr. GREEN: Mr. Chairman, earlier in the evening there was some discussion about putting on the record an editorial in the *Vancouver Sun*.

The DEPUTY VICE-CHAIRMAN: Oh yes, Mr. Green wished to put in an editorial from the *Vancouver Sun*.

Mr. GREEN: This is dated February 16, 1951.

Mr. BYRNE: Is this discussion relevant to the question?

Mr. GREEN: "Where phone rates go": is the heading.

Telephone users will be eager to hear what parliament may have to say about the alleged milking of the B.C. Telephone Company by its parent company and affiliates.

City Hall expects phone rates in Vancouver to rise again soon unless parliament dams or abates the flow of BCT revenues to other members of its intricate corporate family.

Incidentally, there is already an application for a further increase in before the Board now.

Vancouver City Council thinks the set-up is preposterous. The federal Board of Transport Commissioners—which regulates our phone rates because BCT has federal charter—declines to interfere. So the City Council has asked local MP's to air the grievance in the House to test government policy.

When the Transport Board heard and granted last year a BCT application for a rate boost, counsel for the city was at a loss to understand the Board's acceptance of a "most remarkable" system of doing business.

For example, the Board had no objection to BCT's payment of one per cent of its gross revenue to its parent, Anglo-Canadian Telephone Company of Montreal, although the federal income tax department refuses to regard the outlay as a legitimate expense item.

Under the covering contract, Anglo-Canadian undertakes to furnish technical advice and assistance to BCT. But Anglo is a holding company and hasn't got the staff to do the job.

The Transport Board was told, however, that Anglo also has a parent—the Associated Telephone & Telegraph Company of Delaware—which has a group of affiliated companies controlled by a Missouri corporation which can give BCT the required help.

D. E. McTaggart, K.C., counsel for Vancouver, found that BCT in 1948 paid its parent Anglo \$181,000 for these services, although Anglo paid its parent (BCT's grandparent) only \$3,150 for such services.

Vancouver argues that BCT isn't getting value for its money and neither are subscribers whose phone rates are adjusted to include such contract fees.

The same applies to another contract by which Canadian (B.C.) Telephone & Supplies Ltd., does the purchasing for BCT, installs exchange equipment and handles repair work at stipulated charges. In this case the two companies are brothers, Canadian Telephone being a wholly-owned subsidiary of the Anglo parent.

Mr. McTaggart reported that there's apparently a strong family spirit in purchasing through other affiliated companies. He said that in one case purchases pass through two such companies involving three separate commissions or profits. He contended that the supplying company should be entitled to only a five per cent return on its invested capital whereas Canadian Telephone charged \$150,000 more than that in 1948. The Transport Board also thought the expenses were too high and cut them by \$117,000 without saying how that sum was computed.

But Vancouver couldn't shake the deal by which another of BCT's brothers, Dominion Directory Co. Ltd., gets 35 per cent for soliciting and handling classified advertising in the phone book. In 1948 Dominion Directory got \$57,000 more than a five per cent return on its investment and Anglo also drew a \$12,000 management fee.

If the Transport Board thinks these contracts are good business, then the city says there's nothing to prevent BCT from splitting up its operations into other parts and contracting with other affiliated companies to run them for similar fees.

The contention that management hasn't used proper discretion can be aired in parliament by local MP's during debate on BCT's private bill asking for power to raise its authorized capitalization from \$25 million to \$75 million. Vancouver hopes that either the bill will be blocked until BCT promises to change its habits or that parliament will give new guidance as to how the Transport Board should view inter-corporate arrangements when phone rates are next under review.

That is the editorial of which I was speaking.

The DEPUTY VICE-CHAIRMAN: Shall we consider bill?

Mr. MURRAY: Mr. Chairman, I would like to point out to the committee the handicap under which the northern part of the province of British Columbia is as a result of poor telephone communications. In looking at the map up there I am reminded of a place called new Fort St. John; and the fact is that we have not telephone services up in that part of the country which facilitate communication with the city of Vancouver, which is the commercial centre of British Columbia, so that a call from my place to the city of Vancouver would cost, for the average business call, at least \$12, and in order to get that cheaper I would have to go over into Alberta, to Edmonton and Calgary, and so get onto the B.C. Telephone system.

There will be a new road completed from Prince George to Dawson Creek this fall, a distance of some 300 miles, and at intervals of, say, every 10 or 12 miles there will be a stopping place: there will be valleys where settlers will move in, and the telephone situation is still irritating to the people up there and there is a move to have that piece of country brought into Alberta. A telephone is a very necessary service, and if you cannot get contact with towns within the province then you have to trade with towns in the nearby provinces. I do not know how much it is going to cost to string a couple of wires from Prince George to Dawson Creek, but somebody had to put that money up. On the other side, the line in Alberta is a publically owned telephone system. There is nothing that hurts a company as much as two or three telephone systems interfering with each other. We only need in a country one good telephone system, and I think a monopoly in that case may be a blessing, if a telephone system is an inefficiently operated system. You talk about 15 years; I think 15 years will be a very short span for a large corporation to make its plans in northern British Columbia. We have under development up there in my own riding the Aluminum Corporation which is about to build a town, which it is estimated will have a population of 50,000. It is going to take possibly five years for that town to take shape, but somebody has to get a telephone service there. You are not going to expect Ottawa to run a lot of pioneer lines. The place will be a modern place and will have to have

a proper telephone service. It certainly is in the plans of the public that these places should be given adequate service. From Quesnel, which is one of the oldest cities there, it is very difficult to reach Vancouver over long distance. At MacBride, a very prosperous town, there is no telephone system at all.

Here is another thing: these places require radio service. People use telephone lines to convey programs into these small places, and from there they are distributed over boosting services, and so forth. Television: are we going to have television in British Columbia, or are we going to be people not progressive enough to have television? They have it in Cuba and China, so that surely we ought to have it in British Columbia; and it is all part of your telephone problem or telecommunications, call it what you will. Now, listening to the arguments here one would think we were voting a large sum of money to this company but in reality we are only giving it authority to borrow money. We are not granting them anything beyond the right to proceed in the normal way to develop their operations. I do not share the opinion of Mr. Brakenridge—he is a very capable man and has a long experience—I do not see any prospect of Vancouver becoming a ghost town. I think that it is only beginning, but its prosperity rests upon the development of those valleys that you see up there on that map. You do not create anything in Vancouver on Granville Street, it comes in from the mining camps, farming communities, the coal mines and from the oil fields and the other natural resources of such communities as I happen to represent in this House. If you want to make Vancouver strong and to make it prosperous give it as many contracts with the hinterland in the way of roads, railways, telephones and telegraph lines so that the place will be given a chance to breathe and grow.

Mr. SHAW: Mr. Chairman, it was almost thirteen hours ago that we took our places around this table. Since that time we have been commuting between this meeting and the House, busy all the time. I move we adjourn.

Mr. MURPHY: I wonder, Mr. Chairman, if I might interrupt for a second before adjournment. In view of the answer that Mr. Lett gave as to the book value of the shares, perhaps he could get me some more information before we meet tomorrow morning. He gave the book value in December, 31, 1947 as \$122.50. What was the issue price following that? In December 31, 1949, the book value was \$144.52. What was the issue price of the stock following that? In December 31, 1950, the corresponding figure was \$120.27. What was the issue value following that?

Mr. LETT: I think I can give you the issue prices following those dates.

As of the 31st of December 1947, I gave \$112.50 as being the book value. The issue price was \$125, that would be in May 1948; then on December 31, 1949, when I gave the figure of \$114.92, the issue price following that date was \$132.50; and following the date of December 31, 1951, when I gave the book value per share as \$120.27, the issue price following that was again \$132.50.

Mr. MURPHY: Would those be requested issue prices? Were those the prices at which you were requested to issue the stock.

Mr. LETT: I am instructed by the auditor, Mr. Murphy, that in the first instance, the company asked for \$125 per share, that was the issue price applied for, and in the second one, the issue price applied for was \$125, and they gave \$132.50.

Mr. MURPHY: Mr. Lett, before we meet again tomorrow could you tell us what were the earnings at the end of each year, on the ordinary shares?

Mr. LETT: I think I could give you that right now.

Mr. MURPHY: Yes, but we want to adjourn pretty soon.

Mr. MACDOUGALL: No, no.

The DEPUTY VICE-CHAIRMAN: There is a motion before the meeting to adjourn. All those in favour? Opposed? The motion is defeated, the meeting will continue.

Mr. MURPHY: Mr. Chairman, they are going to furnish some information in just a second.

Mr. MACDONALD: Are you going on now to discuss the bill?

(The Vice Chairman, Mr. McCulloch, in the chair).

The VICE-CHAIRMAN: Mr. Murphy's question is being answered.

Mr. LETT: Mr. Murphy has asked if I can give him the earnings of the shares at the end of 1948, 1949, and 1950. That is now being calculated and I do not think it will take long.

The VICE-CHAIRMAN: Are there any other questions?

Mr. MURRAY: Well, we want that information.

The VICE-CHAIRMAN: Shall we go ahead with the bill before the question is answered? Does the preamble carry?

Carried.

Clause 1?

1. (1) Subsection two of section five of chapter sixty-six of the statutes of 1916 as amended by section one of chapter thirty-six of the statutes of 1940-41, is repealed and the following is substituted therefor:—

(2) Holders of preference shares shall not have any right of voting at meetings of the Company except the right to attend and vote at general meetings on any question directly affecting any of the rights or privileges attached to such shares, and then there shall be one vote per share, but no change in the rights or privileges shall be made unless the holders of seventy-five per cent in par value of the preference shares issued and outstanding agree to same and ownership of ordinary or preference or preferred shares shall qualify any person to be a director of the Company.

(3) The said section five is further amended by adding thereto the following subsections:—

(4) Such of the capital stock of the Company as may, after the fifteenth day of February, 1951, be issued as preference or preferred shares, may consist of shares of a par value of either twenty-five dollars or one hundred dollars each as the directors of the Company may determine.

(5) The directors may subdivide any outstanding preference or preferred shares of a par value of one hundred dollars each into shares of a par value of twenty-five dollars each, subject always to the consent of at least seventy-five per cent in par value of the holders of each class of such preference or preferred shares proposed to be subdivided.

Mr. FULTON: On clause 1 I indicated in the House, when the bill was before us on second reading, that I wished to raise a point. I did not outline the point completely before second reading was carried but it was a point having to do with the change which is being made in the preference shares. That point was not replied to by the sponsor of the bill although I did ask that he be good enough to reply before second reading was concluded in the House.

I have given the matter further consideration and I would just like to outline briefly the point I have in mind, because I think it is a valid point and I wish to move that there be an amendment to the bill as it presently stands.

They are doing two things with regard to preference shares. Incidentally, Mr. Chairman, when we were questioning Mr. Lett earlier in the committee I

indicated I would have something to say when we came to the clauses of the bill, and I asked and hoped it would be agreeable to have Mr. Lett recalled to answer my point if necessary.

There were, as I say, two things regarding preference shares. The first is that they are taking the right to subdivide preference shares into shares of a par value of \$25, and all preference shares presently issued have a par value of \$100. At the present time, there are \$5,500,000 par value of preference shares issued and outstanding—each share being worth \$100. Those shares are subdivided—\$1,600,000 cumulative preference shares; and \$4,500,000 cumulative 6 per cent preferred shares. I do not think there is any significance to the difference in the name. One is "preference" and the other is "preferred". Those shares all carry certain privileges,—one of them being quite a high rate of interest—a 6 per cent cumulative dividend rate, which I think members will agree is a pretty high return on a gilt edged security at the present time.

In addition to that they have a feature roughly described as being non-redeemable. I questioned Mr. Lett about this when he was giving evidence, and Mr. Farrell too, and the point there is the company simply has not the right to buy those shares back from the shareholder. To do that they would have to have a by-law passed and to redeem them there would have to be a reduction in their authorized capital to the amount of the authorized shares—\$5,500,000. They have not the right to redeem them in the ordinary way; they have to reduce the capital—but they have so far not done that.

So, in effect, those shares are non-redeemable; they carry a rate of dividend of 6 per cent cumulative; and they constitute, and have constituted since the time they were issued, a very attractive investment for those who wish to invest estate funds—trustees, and people who are looking for a gilt-edged security without any speculative risk. I do not think this committee needs me to emphasize the type of investor who looks to that sort of security for his funds.

Now the company is seeking the right to issue new preference shares of either \$100 or \$25 as the directors may decide, and they are asking also for the right to subdivide existing preference shares into those of a par value of \$25. So far, I do not think there can be any objection, because if you can get four shares of par value of \$25, you are as well off as if you had only one share of \$100.

But in this connection they are putting in a very proper safeguard. They are providing that the shares now outstanding of \$100 par value, the preference shares, cannot be subdivided unless the holders of 75 per cent in par value of each class of preference shares issued and outstanding agree to the subdivision.

Bear in mind that there are of the 6 per cent preference shares, two classes: The first class being \$1 million 6 per cent cumulative preference shares, and the other being \$4 $\frac{1}{2}$ million of cumulative 6 per cent preferred shares. And there is a third class of \$7 $\frac{1}{2}$ million total par value 4 $\frac{3}{4}$ per cent redeemable preferred shares, all of \$100 par value per share.

Each of the three classes with respect to the question of subdivision of the par value of their shares is given the protection that no such subdivision can be made unless the holders of 75 per cent in par value of the class of shares concerned, agree to that subdivision.

So I think the rights of the preference shareholders with respect to subdivision are adequately protected in the bill which is before us. I have mentioned this matter in some detail—it is to be found in paragraph No. 5 on page 1 of the bill—I have outlined it here in some detail because I see in the bill no similar protection to other rights of these preference shareholders; and I refer particularly to the holders of the 6 per cent preference and preferred shares, which now carry the right to dividends at 6 per cent as against the other class of 4 $\frac{3}{4}$ per cent and which also has, in effect, a non-redeemable feature; whereas the others are redeemable.

It seems to me to be only logical to assume that if the company is to issue further preference shares, they would have a lower interest rate and quite properly so, for, as they say, they would get their money at the lowest cost to them. And it must also be presumed that they will make them redeemable. So you have the position that if they obtain this authority they can issue a further \$50 million of shares, with no restriction as to whether they are to be common or preferred; and they could issue the whole of the \$50 million in the form of preferred shares.

But suppose they issue only \$25 million or even \$15 million; the position will still be that they would then have issued more new preference shares than the preference shares now outstanding. So that, particularly with this $5\frac{1}{2}$ million of 6 per cent shares it would be very easy, in effect, to swamp the holders of these shares. They would be issued at a lower interest rate; they would have a redeemable feature; whereas the others would have this non-redeemable feature. The situation might well arise that a company, desiring to change the privileges attached to the present 6 per cent preference shares, would submit a resolution to the preferred shareholders to the effect that the rate of interest on the outstanding preference shares should all be brought into line at $4\frac{3}{4}$ or 5 per cent, or whatever it may be, and that the non-redeemable feature should not exist. You would then have this position: Starting at line 16, you will see the words: "No change in the rights or privileges..."—and that covers the rate of dividend and the non-redeemable feature—"...shall be made unless the holders of 75 per cent in the par value of the preference shares issued and outstanding agree to same." There is no mention of 75 per cent par value of the class of shares.

The VICE-CHAIRMAN: Those could not be redeemed at a certain price—103 or 105?

Mr. FULTON: No, because I think it was Mr. Farrell who told us that they could only be redeemed by effecting a reduction in the capital of the company. If they were to redeem these $5\frac{1}{2}$ per cent preference shares, their capital would be reduced by a corresponding amount. The company is before us now asking for an increase in capital, and they naturally do not wish to do that. They can be redeemed, but the circumstances under which they can be redeemed are such that it is not attractive to the company—so they are virtually non-redeemable shares at the present time. And—"no change in the rights or privileges shall be made unless the holders of 75 per cent in the par value of the preference shares issued and outstanding agree to same."

If you issue sufficient preference shares—and I think it would work out to about \$15 million—then, even if the old 6 per cent go in solid against them, the new preference shares would carry 75 per cent, so that the rights and privileges attached to those old preference shares could be changed without the consent of the holders of that class of preference shares; and I have discussed this matter with the solicitor for the company, and we had a very good discussion, and I have an amendment here which I would like to place before the committee tonight.

While the company feel that the danger which I have outlined, and which I feel does exist, is not quite as pressing as I have represented, nevertheless I feel that there is something to the point, and I understand that they have no great objection to the amendment which I am going to move, and I feel that amendment will guarantee the position of the present preference shareholders and they will be protected.

The VICE-CHAIRMAN: Will you move the amendment?

Mr. FULTON: Yes; I will read it to the committee:

That Clause 1 of the bill be amended by deleting the words "But no change in the rights or privileges shall be made unless the holders of

seventy-five per cent in par value of the preference shares issued and outstanding agree to same", where they occur at lines 16 to 19 of the said bill, and substituting therefor the following words:

"But no change in the rights or privileges of any class of preference or preferred shares shall be made unless the holders of seventy-five per cent in par value of the shares of such class issued and outstanding agree to same."

The VICE-CHAIRMAN: Gentlemen, you have heard the amendment moved by Mr. Fulton.

Mr. LETT: Mr. Chairman, we have no objection.

Mr. LAING: I wonder if Mr. Lett would care to comment?

Mr. LETT: I have seen the amendment Mr. Fulton has proposed and we have discussed it. Subject to the will of the committee the sponsor has no objection. We are quite prepared to accept that amendment.

The VICE-CHAIRMAN: Is it the pleasure of the committee to accept this amendment?

Agreed.

Carried.

We will adjourn now, to meet again tomorrow morning at 11.30..

JUNE 12, 1951.
11.45 a.m.

The DEPUTY VICE-CHAIRMAN: A quorum is present, we will continue with the bill. Last night, Mr. Fulton's amendment to clause 1 was carried. Shall clause 1 as amended carry?

Carried.

The DEPUTY VICE-CHAIRMAN: Shall clause 2 carry?

Carried.

The DEPUTY VICE-CHAIRMAN: Shall the title carry?

Carried.

The DEPUTY VICE-CHAIRMAN: Shall I report the bill?

Carried.

Mr. GREEN: Mr. Chairman, I have only just got in from the vote in the House.

The DEPUTY VICE-CHAIRMAN: Well, we had a quorum.

Mr. GREEN: Well, I have some remarks to make.

Mr. LENNARD: Mr. Chairman, I might say that in other committees, certainly in the Veterans Affairs committee, the chairman calls for members to assemble again ten minutes after the vote is taken.

The DEPUTY VICE-CHAIRMAN: We adjourned for the vote, and the vote was taken, and we came in, and as soon as a quorum assembled we went on with the bill. Is it the pleasure of the committee that Mr. Green shall have leave to address the committee on this bill and bring in any amendments he wishes to? Which clause do you wish to bring your amendment to, Mr. Green?

Mr. GREEN: Clause 2.

Mr. GOODE: Mr. Chairman, you have already made a ruling. I distinctly heard you say: "shall the title of this bill carry?" Are we going to do this over again? You had a quorum here, and had the support of this committee at the time. I see no reason—

Mr. LENNARD: Oh, it was so apparent: it was done in a hurry—

The DEPUTY VICE-CHAIRMAN: It was not done in a hurry: We had a quorum.

Mr. LENNARD: —before they got here, and it is not according to the custom of committees.

The DEPUTY VICE-CHAIRMAN: I am in the hands of the committee. We had a quorum when the bill was carried. Is it the desire of the committee that we should go back to clause 2 and open it up again, or is it the desire of the committee we should not? I might say, Mr. Green, if you are not able to make your motion here, you will be able to make it in the House.

Mr. GREEN: Well, Mr. Chairman, just the very fact that all these members have come in since I started to speak shows, I suggest, that in all fairness it is not parliamentary nor fair that because there were 12 people here at a certain time they should move right ahead and pass this bill knowing others of us wished to go into this section, and knowing we have heard evidence here for several days, and that the city of Vancouver has gone to the expense of sending a representative here to give evidence. We worked here last night until 11 o'clock, and we sat four times yesterday, and everybody knows that this is a very important issue and merits careful consideration. Now, to try to rush the thing through—

The DEPUTY VICE-CHAIRMAN: Just a minute; that is not rushing, we had a quorum.

Mr. McCULLOCH: On a question of privilege, I think it would be wise to let Mr. Green bring in his amendment; it would be just as well to have it done now.

Mr. APPLEWHITE: Mr. Chairman, I have no desire to question a ruling that you have made—

The DEPUTY VICE-CHAIRMAN: I have not made any ruling.

Mr. APPLEWHITE: —and I have no desire to keep the committee a minute longer than necessary. I was not here myself, but I understand that a quorum having assembled, you did, as you doubtless have a perfect right to do, call the committee to order and proceed with the bill. I would like to say as sponsor of this bill that I would be happy to have it re-opened for as full discussion as those who feel they have something still to say would like to make, because if I may put it crudely, I would like to think this bill carries or falls on its merits after a full discussion.

Honourable MEMBERS: Hear, hear.

Mr. McIVOR: Mr. Chairman, if a man asks you to go a mile with him, then go with him two, and I think Mr. McCulloch is in order. I think it is only fair to those coming in. I think we should allow Mr. Green to carry on. It would help me also, as I have two questions to ask.

Mr. SHAW: Mr. Chairman, we cannot quarrel with your right to do what you did. Had this committee met at 11.30, as my notice states, and had you noticed a quorum and proceeded, that would have been one thing; we could have met at a quarter to eleven or eleven o'clock, so I think under the circumstances the committee would be well advised to allow Mr. Green to be heard.

The DEPUTY VICE-CHAIRMAN: I would be pleased, then, if we would accept clause 1 as amended carried.

Mr. LAING: Mr. Chairman, will you please tell us what has happened; some of us have just arrived, and do not know what has happened.

The DEPUTY VICE-CHAIRMAN: This is what happened: We came in after the vote was taken, and a quorum was present, and we proceeded and passed the two sections of this bill. After the bill was passed, some other members came in and said they had not had time to get here. In view of that, it has been asked that clause 2 be re-opened and proceeded with. If it is the wish of the committee—

Honourable MEMBERS: Agreed.

The DEPUTY VICE-CHAIRMAN: —we will start in on clause 2, clause 1 having been carried. Clause 2, Mr. Green.

Mr. GREEN: This is the section of the bill which provides for the increase in capital; that is, subclause 1 of section 6 of the charter in effect, substitutes the words "\$75 million" for "\$25 million". The subclause reads:

(1) The capital stock of the company may be increased from time to time by such amounts as the directors consider requisite for the due carrying out of the objects of the company, such increase to be effected by resolution of the directors by and with the consent of a majority of two-thirds in value of the ordinary shareholders present or represented by proxy at any annual general meeting or at any special general meeting of the ordinary shareholders called for that purpose: Provided that the total capital stock of the company, including the present authorized stock, shall not exceed seventy-five million dollars;

Now, if that increase is granted, it will mean that within the four-year period from 1947 to 1951 the company will have had an increase from \$11 to \$75 million, which is approximately a seven-fold increase. I do not think anyone is questioning that there should be some increase granted at this time. That is the position of the city of Vancouver, and personally it is also my own position. The whole question is the amount of that increase.

I would point out that there should be great stress placed on the fact that the mayor and council of the city of Vancouver decided unanimously to have representations made by a representative before this committee. That is an unusual step for a city to take. In 1947, when the company got its last increase, the city council passed a resolution approving of the bill. This time they have felt so keenly about the matter that they have gone to the length of sending down a representative to indicate their opposition to the amount of this increase and also, of course, to the question of the inter-corporate relationships. It is not an easy thing for a municipal organization to get into the position of taking a step like that. Every one of you here who has had experience in the municipal field will know that a municipal council is always handicapped in fighting a utility company such as the British Columbia Telephone Company. It is always a great deal more difficult for a municipal corporation to organize a fight and to carry it through, and the fact that the great city of Vancouver has taken this position is extremely significant, I suggest to you.

The council feel—and the fact is—that supervision by the Canadian parliament over this utility company is of great importance. The company, of course, has a monopoly. It does not serve all of the province directly; as pointed out, there are several other subsidiaries of Anglo: The Mission Company, the Chilliwack Company, the Kootenay Company and the North-west Company, which are all directly under Anglo Canadian, and not under British Columbia Telephone Company at all. So that the British Columbia Telephone Company is not covering the whole of the province. There is also the Dominion Government Telephone which covers quite a large portion of the central part of British Columbia.

In the case of the British Columbia Telephone Company, they saw fit in 1916 to get a dominion charter and to have their works declared works for the benefit of Canada, so that they are not subject to control by any provincial

utilities commission or any other provincial body. The only controls that there are over the British Columbia Telephone Company are that they must come to parliament to get an increase in their capital or to get their charter altered in any other way; and secondly, that the Board of Transport Commissioners have the power to approve or revise the tolls and charges that are set by the company.

You will have noticed, Mr. Chairman, that quite a few of the members from British Columbia, including those who I take it are not supporting this bill, questioned the officers of the company with regard to telephone conditions in their respective ridings. Of course, it was their privilege to do that; they were quite right in doing it; but may I point out that the very fact that the company had to come here and put its officials up for cross-examination by the members from the different constituencies was a very salutary thing. The result of that cross-examination will be that, I think, in every one of those ridings there will be better telephone service than there would have been otherwise, because the members have been able to point out to the officials where there are defects, and have been able to ask that changes be made, and I personally feel confident that the result will be improvements in those particular districts. It is quite proper that it should be possible for a member to do such a thing. If he did not have that chance, there is no other way in which he or his constituents could get at the telephone company. These telephone companies officials could sit back in their offices and not be subject to any check of that sort.

Then, you have also seen that the city representative was able to point out another defect that must be remedied: that is, that there is no adequate check on the inter-corporate contracts between the British Columbia Telephone Company and its affiliated companies. I do not know how the telephone company or any member on this committee can justify the fact that Anglo Canadian, the immediate parent company of the British Columbia Telephone Company, could levy on the British Columbia Telephone Company a charge under a licensing contract of one per cent of gross revenue which brought in over \$181,000 in 1948, and at the same time only have to pay out for such services as were rendered \$3,150. Now, that situation has not been broken down in the slightest degree before this committee by the officers of the company.

Actually, the British Columbia Telephone Company was an efficient organization back in the '20s, before it was taken over by the Gary Group of Kansas City, and the British Columbia Telephone Company has been well able to supply its own services of the type for which this \$181,000 was supposed to have been paid. Incidentally, the British Columbia Telephone Company just shortly before the hearings in 1950 cut the rate from $1\frac{1}{2}$ per cent of the gross revenue to one per cent. That was done just before the hearing, but even last year that contract would bring in over \$160,000 because the gross revenue in 1950 was \$16,007,077.79. When the company applies for a telephone rate, it asks for a rate to cover that amount with the result that the telephone users, who are using British Columbia Company telephones, have to pay that license contract fee, which last year was \$160,000. Now, Mr. Chairman, there is only one way to describe that contract: it is milking the telephone users in order to pay this money to Anglo Canadian. The city representative brought that out here, and it just shows one great advantage in having this company come before parliament at fairly regular intervals.

There is obviously a situation there which must be met, and I would hope that the committee would make a recommendation to the House with regard to the power of the Board of Transport Commissioners to deal with these inter-corporate contracts.

It all adds up to the conviction that the increase in capital granted to the company at this time should not be too large. Mr. Brakenridge stressed

another point when he said there must be restraint, otherwise the whole set-up is apt to get out of proportion. If they invest too much, for example, in buildings which are not needed for some time, then the interest on the money used must, of course, come out of the telephone users. I repeat that the increase should not be so large that the company need not come back to parliament for many years. That is particularly important today, because this inter-corporate relationship has not yet been straightened out: it may not be straightened out for a matter of some years and while that condition remains, this company should not be allowed to stay away from parliament for ten or fifteen years.

In seeking their increase they base the figure on an annual expenditure of \$10 million for the next ten years: that would make a total of \$100 million for the next ten years. That was the figure given by Dr. King when he sponsored the bill in the Senate, and it was also the figure given by Mr. Applewhaite when he sponsored the bill in the House of Commons; speaking on the second reading on March 9th, you will find those figures given by him. Now, I ask: do you think that the company had decided on that figure of \$10 million per year, and in instructing the sponsors of this bill to use that figure, was setting a figure lower than it expected to need? It is not reasonable to expect that the officials of this company in deciding what figure to ask parliament, and in deciding what figure they would need for the next ten years, would put in a figure lower than they would need. You have heard them come before this committee and indicate that prices have gone up, and that now they want 20 per cent more. Well, Mr. Applewhaite's statement was made on March 9th, two months ago.

Mr. APPLEWHAITES: Three months.

Mr. GREEN: There has not been a word in the press or in debate in the House to the effect that anything more than that was required, and I think the members of this committee can safely take it for granted that the maximum amount that the company expects to spend in the next ten years is \$10 million per year, or, a total of \$100 million. That is brought out by the fact that in 1949 they were only able to spend \$6,700,000, and in 1950, although they had estimated at the Board of Transport hearing that they would be spending \$12 million in 1950, actually they only spent \$6,400,000. In both those years they were spending as much as they could with the equipment available. So that I suggest to you that in all probability they will have a great deal of trouble spending even \$10 million per year in the next ten years. There are other factors which must be considered. For example, we all know that materials are becoming scarcer all the time, and the officials frankly admitted that if they could not get the materials their program would have to be cut.

That brings us down to the actual figures: the company—and I am basing my submission on the ten years including 1951—just raised, a few weeks ago, \$5 million by issuing shares. On that issue they got a premium on the common shares which amounted to approximately \$1½ million. So that they have just raised, and have available for their 1951 plans, which would be included in the 10 year period, over \$6 million. If they got an additional \$50 million by way of increase of capital they will then have for the 10 year period over \$56 million plus, of course, whatever premium they get on the issue of common stock in the future. They have been paying \$8 a share on a par value of \$100 for many years on the common shares, and I think Mr. Farrell admitted they would hope to get over \$100 on any common shares in the future. There is no doubt that they will do so. However, quite apart from premiums that they can get in the future on the issue of further common shares, they will have this \$6 million now available, the \$50 million by way of increased capital, and then they still have the method of raising money by issuing bonds. Up to this year their plan has been to raise \$40 out of every \$100 by way of shares and \$60 out of every \$100 by way of bonds: that has been called a 40/60 basis. If they raise their money

on that basis, and the city believe they should do because it means cheaper rates for the people than if they increased the proportion of shares, then they will be able to raise on this \$56 million of capital an amount in bonds or notes totalling \$84 million; that would give them a total of \$140 million for this ten year period during which, on their own figures, they only require \$10 million a year. In addition to that, they have very large depreciation write-ups, portions of which are available for this expansion program. Mr. Brakenridge estimated it last night at \$15 million over the ten year period, but at least \$1 million would be available each year from this depreciation account or depreciation reserve. If the company are permitted, even if these figures are taken on the basis of 50 per cent shares and 50 per cent bonds, an increase of \$50 million, it would give them this \$56 million available now in capital, and \$56 million in bonds making a total of \$112 million. To that, of course, must be added the amount that they could use from the depreciation reserve.

So much, for their increase of \$50 million. On the other hand, suppose that the increase is \$25 million—and remember, Mr. Chairman, that Mr. Hamilton said yesterday they will carry on with their program regardless of the amount of capital they get. The only effect that a change in the amount would make would be that they would have to come back here earlier if the increase is smaller. They will not, as Mr. Mott suggested, cut down their whole program if they only get a \$25 million increase. That is not the plan as given by Mr. Hamilton. They will continue with their program but the only thing is they would have to come back to parliament at an earlier date.

Suppose the increase granted is \$25 million, that would give them a total capitalization of \$50 million. Then, in that case, the company would have the \$6 $\frac{1}{3}$ million that they received in the last few weeks, and they would have the \$25 million—making a total by way of share capital of \$31 million. Then, on the 40-60 basis they could raise a further \$46 million by bonds, giving them a total of \$77 million. That amount, on their own figures of \$10 million a year, would carry them for over seven years. Incidentally, the other figure of \$140 million would carry them for fourteen years. If they use the 50-50 method of financing, with a \$25 million increase they would have \$31 million by way of share capital and \$31 million by way of bonds, which would give them a total of over \$62 million—lasting them for over six years.

Those are the figures for an increase of \$50 million and an increase of \$25 million. I am also going to give the committee the figures for an increase of \$35 million which would mean a total capital of \$60 million. In that case they would have the \$6 million now recently taken in; they would have the \$35 million new capital—giving them a total of over \$41 million of share capital. On the 40-60 basis they could raise over \$61 million by bonds, giving them a total of \$102 million—which is over their own requirements of \$10 million a year for ten years. That would mean they would not have to come back to this House for ten years if the figures their sponsors have given are correct. It might even mean not coming back here for a considerably longer period. Even though they finance on a 50-50 basis they would have \$41 million of shares and \$41 million of bonds, giving a total of \$82 million, which would mean they would not have to come back for over eight years.

Now, to be absolutely fair about the matter, to make sure they are given a reasonable amount of capital and yet at the same time to make sure that they must come back here within a reasonable time, I am going to move that the words "sixty million" be substituted for the words "seventy-five million" in clause 2 of this bill. That would mean that they are able to carry on for at least eight years on their own suggested basis of a 50-50 method of raising capital, and for over ten years on the present basis of 40-60; and they cannot be considered as handicapped if they are allowed an increase of that kind. Mind you, that will be more than doubling their present capital and it will be putting up

their capital from the year 1947 to the year 1951 between four and five times. If that amendment is accepted then it does give parliament some check on the activities of the company, and that, I submit, is a very important factor in the whole picture.

So, Mr. Chairman, I apologize for taking so long but I would move that the words "sixty" be substituted for the words "seventy-five".

The DEPUTY VICE-CHAIRMAN: Am I right in saying that the amendment you have moved is to section 2, of the bill itself, to line 15 of the subclause which is paragraph 1—that the word "sixty" shall replace the words "seventy-five".

Mr. GREEN: Yes. I may have been confused between section 2 of this bill and section 6 of the company's charter. The amendment is of course to clause 2 of the bill, substituting the word "sixty" for the words "seventy-five" in line 15 on page 2.

The DEPUTY VICE-CHAIRMAN: Is that plain to the committee?

Mr. APPLEWHAITES: Mr. Chairman, and members of the committee: there are some matters brought up in connection with this amendment which I think it is my duty as sponsor of the bill to meet. I shall try to do so at as little length as possible. The amendment is not acceptable to the sponsor of the bill or to the company which is petitioning. I will try to deal with those matters as much in order as I can and I will deal first with what Mr. Green referred to as the present basis of 40-60 financing. I would draw the committee's attention to the fact that is not the present basis. The evidence was quite clear that it is approximately 49 and a fraction to 51.

Mr. GREEN: On a point of order, Mr. Chairman, that was not the evidence. The figures speak for themselves. Since the issue of this \$5 million the percentage is 43 and 57.

The DEPUTY VICE-CHAIRMAN: I think we are right back to the question we had a short time ago of whether you take the par value of the shares or not. Is that not where we are?

Mr. APPLEWHAITES: We are dealing at the present time with the company structure.

The DEPUTY VICE-CHAIRMAN: You are dealing with it as it is set out, Mr. Green—

Mr. GREEN: I am dealing with it as it is set out in the annual report.

Mr. APPLEWHAITES: I grant you that and I did not accuse you of making a misstatement of fact, but, since the issue of the company's annual report, there has been \$4 million of common stock and \$1 million of preferred stock issued and the present basis is not the basis as at the end of last year.

Mr. GREEN: That brings you to 43 per cent and 57 per cent.

Mr. APPLEWHAITES: Mr. Brakenridge referred to it a short time ago in his evidence. In a not very complimentary way he described the capital structure of the company at a given market value whereas the structure of the company is the actual basis on which it authorizes stocks or bonds.

However, what about the argument that the company should finance on approximately a 40-60 basis. There have been two arguments used against the desirability of that—one of which may not have much merit, namely if the shareholders only take 40 per cent of the stock they carry all the risk and have only 40 per cent of the equity. The other which is important is that if you reach a stage where risk capital is not as fully involved as investment or debt capital, then you are going to have to pay more to raise the money by bonds. The smaller the proportion of risk capital you have in the company the larger the interest the investors are going to demand on debt capital if they take it at all—if they underwrite the bonds or other securities of the company. The result is that you

do not work out at any material saving to the telephone subscribers because you pay a higher interest on the securities—and you are not paying 6 per cent on the money you are raising by way of risk capital.

With reference to the submission of the city of Vancouver, and here again this is just for the clearing of the record and I impute no motive to the mover of the amendment, he referred to the unanimous decision of the city council. However, the city council representative was asked, I think by Mr. Jones, if he knew whether or not the decision was unanimous and he did not have the information. We have not got before us any minute or copy thereof adopting the resolution by the city of Vancouver.

The other suggestion, I suggest to the members of the committee, both in the brief which they have distributed and in the argument which was put forward by their representative here, is based almost entirely upon their complaints with the three operating contracts under which the company carries on its normal business—to such an extent that the city's representative stated that he did not think there would be any real objection to the granting of his bill as introduced if the matter of the contracts could be adjusted to their satisfaction. Those are not his exact words but I think that is a fair interpretation of his replies to my questions.

So, I submit that it is obvious that the city of Vancouver is not attacking this present section which deals with the authorized capital on the basis at all of the need for authorization, but it is basing its objection on certain methods of carrying on the business now followed by the B.C. Telephone Company. At the moment I am not admitting anything but I suggest very seriously to this committee that their methods of carrying business are one thing, and their needs for expansion of capital for improvement and increasing service are another thing. There is one place and one forum where their methods of carrying on business is properly discussable—that is questions in connection with rates that are charged and so forth. What we are asked to do now, however, is to come to a conclusion as to how much money this company needs for the program which it intends or hopes to undertake within approximately the next ten years in connection with improvement of obsolete service and the expansion of new service.

The city of Vancouver in its brief, and their representative before this committee, stated no alternative. The city of Vancouver stated no sum which they figure is the amount this committee should authorize in the increase of the capital of the company. The mover of the motion has set a figure of \$60 million but that figure was not set by the city of Vancouver; they declined to set anything. No basis has been given for that figure or for any reduction of the figure except that they do not like the judgment of the Board of Transport Commissioners in the last rate case—and if we had time to get it printed you could read the evidence of the representative from the city and you would find that is a perfectly fair statement.

Now, I would also like to remind the members of this committee that the development and expansion in British Columbia is not all within the city of Vancouver.

Mr. MACDOUGALL: Hear, hear.

Mr. APPLEWHAITES: Some of it, and a lot of it is, but a very great deal of it is not. The city of Vancouver in area, and of course in my opinion in importance, is not by any means the most primarily interested party in connection with this bill. They are getting a form of service—they make a lot of complaints but they have telephones. There are a lot of other parts of British Columbia where they have not service, and there will be other parts of British Columbia where we want this company to install telephones. We do not see why the development of all of the province of British Columbia—or 79 per cent of it—should be hampered because the members of the city council of the city of Vancouver do

not like the way in which the Board of Transport Commissioners dealt with certain operating contracts of this company. The city of Vancouver as a corporate body of the citizens of Vancouver, will doubtless press this company and keep pressing it for development and improvement in the city of Vancouver. I do not blame them. If they are going to press these claims, and I hope they do, as vigorously as they are now opposing this bill, then what is going to happen to the rest of British Columbia's expansion if we are going to curtail the amount of money available to this company? Where will the reductions occur? I submit to this committee that they ask themselves this question: Is the corporation of the city of Vancouver better able to speak on the needs of the British Columbia Telephone Company finances than are the operators whose lifetime business has been to operate a telephone company in British Columbia? If they feel that they are, they have not backed it up because you have not got municipal ownership of the telephones in Vancouver.

With the greatest respect for the presentation given to us by Mr. Brakenridge representing the city of Vancouver, if I had to choose between Mr. Brakenridge representing the city of Vancouver and Mr. Farrell or Mr. Hamilton representing the B.C. Telephone Company—as to which I would turn to for advice on telephone matters—there would be no question in my mind. Further than that, in connection with the financial structure of the company if I had to turn to the city of Vancouver or to those who are the financial advisers to the B.C. Telephone Company for advice as to what the company's structure should be, there is no question to whom I would turn.

Again, the question of depreciation reserve has been brought up. I submit that depreciation reserves are not available for capital expansion. If you are going to have a sound business—and I do not run a big business—if you are going to have a sound business surely you must earmark your depreciation reserves for the plant which is being depreciated.

Now, let us try to clear up one other question—the question of the issue of capital and the question of the authorized capital. The company, of course, must earn interest on its invested capital. I think it is fair to say that it must earn interest on its issued capital. The moment you buy a share in anything you expect to receive your interest. The company does not pay anything on authorized capital until it is issued. The bill before you is asking that the company should have the right as time and circumstances dictate, to go to the Board of Transport Commissioners and ask them for permission to issue some capital—the amount of course depending on their needs. Because you give them an increase in this bill—an authorization of \$50 million—that does not mean that this \$50 million is immediately drawing interest at the expense of the people who are paying telephone rates. It means that as the company can develop and expand it has the right to go and prove that fact to the Board of Transport Commissioners and then get authority to issue stock.

Now, who is going to say what is a reasonable time that we should look ahead? I think that the weakest point of the whole argument against this bill has been evidenced by the amendment which was brought in. Apart from the natural dislike of the contracts which some people seem to hold, the other argument brought before this committee, was that you should reduce the amount the company is asking for so that the company will come back to parliament. You want them to come back pretty frequently. That was the basis.

Well, if that was a legitimate argument conscientiously held and meant to be backed up, one would have expected it to be backed up with an amendment which would force this company to go through this performance again at the end of two or three years. We have given you a figure which will keep the company away from here for about ten years. In moving his amendment the mover said that, depending on which line of figures you use, the amount he suggested should

keep the company going eight or ten years. Then, what would it accomplish other than demonstrate the sovereignty of parliament—that we have the right to knock off 20 per cent of the amount they ask for? And is that figure based on the estimate of the needs of the company? None whatever.

It is suggested it is advisable to force this company to come back to parliament in order that the members, as representing their constituents, may have the right to talk to the operating heads of the company. Well, that argument was used and meant, I think, to be an argument of some weight. At the same time it was impliedly suggested that there is no need for the members of parliament to talk to the heads of this company for another eight years—and all we are asking for here is ten years. I suggest in all seriousness that suggestion has nothing to do with the capital structure of the company.

I do not know, but there may be something the matter with the public relations department of the B.C. Telephone Company, and if there is they had better look to it. However, I rather imagine that members of parliament or others have never been refused a hearing if they wanted to talk over their troubles with some appropriate official of the B.C. Telephone Company. If they have been refused, as I say I have no defence for such refusal; but at the same time I do not see that type of refusal has got anything to do with the needs of the company for its expansion.

The power of the Board of Transport Commissioners on rate cases—what they should and what they should not be allowed to investigate—is something that I know nothing about. It is something I am not going to express an opinion on, other than to say that the power of the Board on rate cases is another thing that has nothing whatever to do with the capital needs of the company to finance expansion and improvement necessary in the service of British Columbia. It is certainly in no way pertinent to the particular section of this bill which we are now discussing. There have been no arguments put forward at all as to what are or what are not the needs of the company for capital involved in improvements of service and expansion, other than those put forward by the company's own representatives.

I do not know whether there was an attempt to suggest that we are asking for more than we expected to get. If that suggestion was implied I resent it very much, and I emphatically deny it. If I may speak personally for half a moment, we all know the position of a sponsor of a private bill. Somebody has to put a private bill through the necessary stages in the House of Commons. In so far as I was concerned with this bill, believe it or not, I satisfied myself that the bill appeared to be justified and necessary, and I would not insult this parliament by presenting a bill asking for certain powers with my tongue in my cheek, with the idea: we will ask for plenty, hoping that we will get half. I do not think any member carries on his parliamentary duties that way.

Mr. GREEN: I was not suggesting that you did.

Mr. APPLEWHIT时: I am very glad to hear it and I did not think that was the intention.

Now, with respect to authorized capital, the company has issued every last cent it has authority to issue. It is now at the end of its tether in so far as authorized capital stock is concerned. It was suggested its estimates in the past have not been too sound, and that actually it has not expended all the money that it had estimated on the previous occasions that it was going to spend. I am going to read you one sentence from the speech of the sponsor of the last B.C. Telephone Company bill in 1947. When he introduced the bill he said—and he was then applying for an increase from \$11 million to \$25 million: "The increased capitalization from \$11 million to \$25 million is estimated to be required for the next five years expenditure." That was on April 15, 1947. It was not a bad estimate, because, by the time this parliament is over and the

necessary applications are made to the Board of Transport Commissioners and so forth, I would venture the opinion that no money we are authorizing now can be put to work until next year. So, from 1947 to 1952 is five years—exactly the estimate on the last application of this kind.

Are we expecting from this company service, developments and expansion on the one hand, and are we on the other hand going to sit down and reduce the company's ability to finance and carry on in what we know is a greatly expanding economy?

I do not think that is what parliament is here for. The increase of authorized capital is required by the company. The authorization is required now, as firm plans and commitments must be made if we are not going to be faced with a sort of piecemeal, little-bits-at-a-time planning, to meet the expanded economy of British Columbia.

I therefore suggest to members of the committee that the section be passed as introduced; that the company's estimate of its requirements is based on sound fact and business knowledge; and that nothing has been adduced to shake their estimate.

Mr. McIVOR: Mr. Chairman, I will be very brief. My own thinking is that the province of British Columbia is seeking to extend its telephones. Those telephones will be brought in by or purchased by people of low incomes. The amendments says that we can come back here again and I am going to ask Mr. Applewhaite this question: what does it cost the city of Vancouver and what does it cost the British Columbia Telephone Company to send this delegation down here? These officials I do not suppose work for a dollar and ten cents an hour—my experience is that they cost money. Now, it also costs the government money. I keep myself with an open mind but I am going to think twice before I vote for the amendment. I just wonder, Mr. Applewhaite, if you could let us know what this delegation would cost and what it would cost the government for us to come back here in five years?

Mr. APPLEWHAITE: Mr. Chairman, I might say that I have made inquiries but I have not that information anywhere near enough to be of value to the committee and I would not like to put on record what would be no more than my rather uneducated guess.

The DEPUTY VICE-CHAIRMAN: You could use the word "considerable".

Mr. MACINNIS: Mr. Chairman, I rise to support the amendment moved by Mr. Green. I shall not take much of the time of the committee, because I believe that he put forward sufficient valid arguments as to why the amount mentioned should be approved by this committee. Before I mention anything further in support of the amendment itself, may I refer to some remarks made by Mr. Applewhaite: in his opening remarks he said that the amendment was not acceptable to him nor to the company; and, therefore, of course, the committee ought to turn it down. I am going to take a chance and try to ascertain how much Mr. Applewhaite had to do with the orginal amount of the bill. Was he consulted beforehand as to whether it would be \$25 million, or \$50 million, or \$100 million, and had he said to the British Columbia Telephone directors: "make it \$50 million", raising to \$75 million?

Mr. APPLEWHAITE: I would not try to tell them their business.

Mr. MACINNIS: This bill originated in the Senate, and I doubt very much if Mr. Applewhaite knew very much about it until he was asked to sponsor it in the House of Commons; and being asked to sponsor a bill in the House of Commons means that you put your name to the bill and move its second or third reading as the case may be when it comes up in the House. However, Mr. Applewhaite did something else: he not only showed that he was in perfect agreement with whatever the company asked for, but he also showed his com-

plete contempt for the elected representatives of the people when they came in conflict with the private corporations. He said: "if the city of Vancouver says one thing, and the B.C. Telephone Company says another thing, I am going to believe what the B.C. Telephone Company says". Now, I do not agree with the gentleman, but I thank him for making his position so particularly clear in his contempt for the position of public representatives in the natural order of our political and economic set-up. Now then, he accused Mr. Green of making so small an amendment that it really does not amount to anything; but if Mr. Green had moved that the amount be \$50 million or \$25 million instead of the \$75 million, what would be Mr. Applewhaite's argument then? Would not his argument be: "surely you cannot accept this, because this is not giving the company sufficient capital to carry on their business"? As a matter of fact, from his argument Mr. Green would be damned if he did and be damned if he did not. So that Mr. Applewhaite merely prejudices his own position by making an argument like that. The fact is that those of us who live in the city of Vancouver have some regard for the position of the city of Vancouver and its public representatives, who have been duly elected in a democratic way by residents of Vancouver, which is probably the largest municipal organization in the province and the one most capable of sending a delegation here that would speak not only for the province but for the people of British Columbia. As far as I am concerned, I have not received any communications from any city, municipality or rural area urging me to support the company's application. All the correspondence I have had was from the city of Vancouver, and they urged, while they are agreed the company should have sufficient capital to carry on its business, that the company should not be put in a position where it can ignore this parliament, which is practically the only institution that has had any control over it at all except that of the Board of Transport Commissioners in the matter of rates. I agree that the company should have capital to carry on its business. I mentioned that when I spoke at the second reading of the bill in the House. Only a fool—and I hope there are no fools in this committee—would say the company should not have that right. If we denied that to the company, there would be only one other thing to do, and that would be to provide a public corporation whose duty it would be to provide telephone services for the province of British Columbia: but, as long as we have not done that, we are bound to authorize the capital that the company requires. However, it is another thing to say that the company can ignore this parliament for, say ten years, and ignore the people of British Columbia who are represented here. We do not do that with our government. The government of this country is compelled every five years to go to the people of the country for another mandate. Is there any reason why this British Columbia Telephone Company should not be asked in four, five, six or seven years to come to this parliament and ask for a further increase in capital? Indeed there is not, and there is every reason why this House of Commons should see to it, as a protection for the people of British Columbia, that they should come.

Now, Mr. Applewhaite said something else: he said that the only thing we are concerned with in this bill is the capital that is being asked for, and that we should not discuss anything in the way of rates or anything else; that this is not the place to discuss those things. Surely, when a measure comes before this House of Commons and is, by the House of Commons, referred to a committee, as to the social, political and economic matters concerned, then the members should deal with that measure, and the social, economic and political implications of that measure are matters for this committee. If we ignore these things, we certainly cannot make a decision on the bill or the measure that comes before us—it will have no true relation to the facts.

Now, I am supporting the amendment because I think it will, in all circumstances whatever those circumstances may be, give sufficient capital for the

company to carry on for the next five years. That is the length of the life of a Canadian parliament and I do not believe these people should want any more than that.

Of course, if it falls short of carrying on they can come back again. Whether it costs a little money, as the member for Fort William suggests it might, is not in question. Everything costs money today and costs a great deal. The question is the protection of the interests of the people who are served by this committee and from whom this company makes its revenue—those for whom the company provides service.

I suggest to those members who are from British Columbia: first, that they should satisfy themselves as to whether this is sufficient capital for the company, for any expansion that may take place within the next four or five years; and second, should we by any action of ours put the company beyond the will or the control of the people of British Columbia for a longer period than that? That is the question you are asked to answer.

I am fairly well acquainted with the business of the city of Vancouver, having served on its council for some time. I have known their representative here for over a quarter of a century and I am quite sure that he would not put anything before this committee that would not be a proper thing for this committee. He would not do that on behalf of not only the people who are on the city council but also the several hundred thousand people the city council represents.

To those outside of British Columbia who, because of membership in this House of Commons, are dealing with a matter that is solely of concern to the province of British Columbia, I would suggest to you that you do not by your vote put even a suggested burden on the people of British Columbia, when by taking another action you are abundantly protecting any rights and privileges that the company may have. Having done that, the thing you should do and must do is protect the people of British Columbia who have very little protection in their relations with this company—excepting when we grant increases here in capitalization, and then in connection with the matter of rates before the Board of Transport Commissioners, a body far removed from the province of British Columbia.

The Deputy VICE-CHAIRMAN: It is now one o'clock. Is it the pleasure of the committee that we adjourn until 3.30 this afternoon?

Agreed.

The committee resumed at 3.30 p.m.

The DEPUTY VICE-CHAIRMAN: Mr. Rooney has the floor.

Mr. ROONEY: Mr. Chairman, and members, there are a few observations that I would like to make, hoping that by making these observations at the moment that they might be of some benefit to us in the future. I understand from a few memos I made here that it is the intention of the British Columbia Telephone Company to spend \$10 million per year for 10 years. In 1949 they spent, according to my figures, \$6,700,000. In 1950 they spent \$6,400,000. Now, by these figures, I would say that they did not waste any money, and they spent the money as it was needed; and is it not a good thing that they are under their estimates, because supposing they went over their estimates, they would be in a very peculiar position. Now, I also would like to say that I agree with their plans of 50 per cent shares and 50 per cent bonds. Bonds, as they are issued,

start to carry interest. The shares would carry dividends when there are earnings made. I sat here yesterday; I heard different observations in reference to the amount of \$75 million which they feel they require. I would judge that the men at the head of this British Columbia Telephone Company should be the ones who would know what they will require. My friend Mr. MacInnis this morning said perhaps they may need the \$75 million over a certain period, but until that period came along they could come and appear before us at any time within we will say, if it were necessary, the next five years or so. At that time, when they would appear before us, they would have to have authority and the charter would have to be changed to increase the capital structure. That would be an expense, and also it would be an expense for them to come down here. Now, in my opinion, this is all information which perhaps is valuable, but to me it is not the important thing which I have grasped from my observations here. The most important thing, Mr. Chairman, would be if we could do something here to increase the power of the Board of Transport Commissioners in Canada so that they would be able to go thoroughly into any matters similar to this. We would be doing a good job if there was some way, out of this, of bringing something to help similar applications in the future, and something to increase the power of the Board of Transport Commissioners.

The DEPUTY VICE-CHAIRMAN: Mr. Rooney, we are talking now on this bill.

Mr. ROONEY: On the amendment.

The DEPUTY VICE-CHAIRMAN: Yes, on the amendment.

Mr. ROONEY: Yes. I will only be one second on this amendment. I will vote against the amendment under these conditions, but my only hope was that there may be something of benefit in the few words I would speak, and we will have no other opportunity after this amendment is voted on. We sat here for two days; and I have been here steadily, and I have not heard anything very concrete against the amount; but I do believe, Mr. Chairman, that this whole thing comes down from the brief submitted here, or the paper submitted here, by the members of the city council, and the last paragraph on page 3: "If I may submit that for the benefit of the future, that is all I will have to say. Now, in that paragraph it says:

If the Council concurs in the views advanced in the foregoing four paragraphs, your committee would further recommend that the city take all possible steps to endeavour to have presented to parliament the onerous nature of the contracts to which the B.C. Telephone Company is now subjected, when the Private Bill of the Telephone Company is under consideration, in an endeavour to obtain relief or amelioration from the adverse consequences of such contracts.

Now, Mr. Chairman, that is all I have to say except that I hope this might be something for the future.

The DEPUTY VICE-CHAIRMAN: There was some information asked for yesterday by one of the members, and I wonder if we have it available. Mr. Murphy asked a question yesterday, Mr. Lett.

Mr. LETT: Mr. Murphy, Mr. Chairman, asked for the earnings of the common shares for the years 1948, 1949 and 1950. I am supplied with these figures by the auditor: the earnings of the common shares after payment of dividends on the preferred shares, which I presume is what you meant, for the year 1948, \$6.46 per share; for the year 1949, \$1.37 per share; and for the year 1950, \$5.99 per share.

Mr. BROWNE: Mr. Chairman, may I ask a supplementary question on that?

The DEPUTY VICE-CHAIRMAN: All right, Mr. Browne.

Mr. BROWNE: Was that actually what was paid? That was the earnings, but was that what was paid?

Mr. LETT: These were the earnings on the shares. The common shares were paid at the rate of \$8 a share.

Mr. HERRIDGE: Mr. Chairman, I want to briefly express my support of the amendment. I might explain that I have no legal training, and I have absolutely no knowledge of high finance. I am simply a back woodsman, and I presume I can look at this with a more objective view than some of the members of this committee. I have listened with a great deal of interest to the questioning and arguments put forward by the members of this committee, and I have listened with interest to the answers and the arguments presented by the officers of the company, and I think they have done their best to answer questions presented to them by the members of this committee. I have also listened with particular interest to the representations of Mr. Brakenridge representing the city of Vancouver, and while listening to those representations it occurred to me that this gentleman represents the city that represents nearly half the total population of British Columbia, so I thought at that time this committee should give serious consideration to what he had to say, and the representations presented by him on behalf of the city of Vancouver. As against that, I was interested to notice that there were a number of members of this committee from Vancouver who apparently favoured the position and attitude taken by the company. I have tried to balance those things one against the other. I must say I was very much impressed with the value to this committee and to the people of Canada generally of the company having to come before this committee periodically and answer questions. As a matter of fact, Mr. Chairman, thinking about it seriously, it is the only opportunity the people of Canada have to find out just how these companies are financed and operated, and for members to make representations on behalf of their constituencies. As Mr. Green said, I think there is some considerable effect in that. As far as my own constituency is concerned, the company is active, and the officials are doing all they can to assure the people they are going to do this and that, and I hope they will, but I am quite certain that the publicity that comes from hearings before committees such as this has a good effect on companies of this type, particularly companies with a monopoly in certain fields. I am not questioning that, because I do not think that a telephone company can be run efficiently if it has not a certain sphere of influence, with public control.

I want to refer to a remark made by Mr. Applewhaite which I thought was entirely out of place. He said he did not think it was right for the officials to have to come back here frequently to go through this performance. I want you to weigh that statement, and to see what is in the back of the honourable member's mind; because when he is speaking of "a performance" he is thinking of the dictionary definition, which means "acting a part". I think that is a reflection on the members of the company present and the members of the committee. He considers that these serious hearings and questions on the part of the people of Canada, and also the answers given by the officials, are purely a matter of acting a part.

The DEPUTY VICE-CHAIRMAN: I do not think there is any reason for you to say there is any reflection on the members of this committee by Mr. Applewhaite's statement. I did not feel there was. I do not think any member thought there was.

Mr. HERRIDGE: I am talking about the meaning of the word "performance".

The DEPUTY VICE-CHAIRMAN: I do not think you should say that Mr. Applewhaite was suggesting any reflection on the members of the committee. I think that is entirely out of order.

Mr. HERRIDGE: Well, I wanted to indicate his rather light-hearted approach to the situation.

Mr. MACDOUGALL: "Performance" could be a showing of the Folies Bergere.

Mr. HERRIDGE: This company requires an increased capital, and I do not think any member of this committee would deny the company the capital that is required to meet the expenses of a considerable period. I am not going to repeat the arguments of Mr. Green and Mr. MacInnis. I do intend to support the amendment for the very reason that as a result of my experience on this committee I believe that it is very essential, for the protection of our economic development and the interest of the Canadian people, that companies like this should have to come periodically at reasonable periods before this committee to obtain an increase in capital.

Mr. Green's amendment suggests an increase of \$35 million: I think that is very reasonable. The company asked for \$50 million, and after hearing the evidence of both sides I think Mr. Green's arguments were very sound indeed; that this \$35 million increase in capital, which permits an increase share issue of \$41 million, and bonds of \$60 million, which provides a total increase of approximately \$100 million, will be ample according to the development that is possible within the next six or seven years.

Mr. Applewhaite said he could not understand what was the basis for Mr. Green's figure. I am quite sure Mr. Green will agree with me that the basis for this figure, and the basis of this amendment, is that we who are supporting this amendment believe it is in the interest of the Canadian people that the company should come before a committee like this periodically. It is because of that argument, which I think is sound, and that I believe the company will have ample capital to carry on all the extensions possible that are required for the next six or seven years, that I intend to support the amendment.

Mr. GOODE: Mr. Chairman, to the benefit of some of the members of this committee who do not come from the west coast, it may be of interest to know there are other places there besides the city of Vancouver. True, the city has, as Mr. Herridge said, the majority of the population on the lower mainland, but there are other municipalities interested in this bill. We have the city of north Vancouver, the city of west Vancouver, the municipality of Richmond and the municipality of Burnaby, and some areas of the lower Fraser Valley. I wondered why the city of Vancouver should make a direct application against this bill, whereas the other municipalities did not make representations. When I knew Mr. Brakenridge was coming down here, I wrote to the municipalities of Richmond and Burnaby to find out if they were going to support the city of Vancouver in its resistance to this application, and I want to read into the record the reply from the Reeve of Burnaby:

Tom Goode, House of Commons, Ottawa. Official view of corporation is to oppose application for any increase capitalization that would lead to unwarranted increase in telephone rates nature of telephone company as member of family of parent and sister companies leads to belief that increased capitalization would have this effect we assume Vancouver brief has details of companies interlocking set-up.

From the municipality of Burnaby, which we think now holds 65,000 people, there is no direct resistance to this application. I am sorry that the Reeve of Burnaby will not be in Ottawa until the day after tomorrow, when perhaps he could instruct me further.

Mr. BROWNE: Is that from the Reeve of Burnaby or Richmond?

Mr. GOODE: This is Burnaby. The answer from Richmond is the same: there is no direct resistance to the application.

When you sit on a committee of this kind you not only have your own views, and make up your own mind, but you have to take into account the people that you represent, and if those wires from Burnaby and Richmond had been in direct contrast to the applications of the B.C. Telephone Company, I would have been prepared to vote against this bill. As far as the amendment of Mr. Green is concerned, I think, although he has a legal mind, and I have not, perhaps a business mind in these things sometimes helps more than the legal mind. The firm that I am connected with, when they wanted to build a new plant in Burnaby, did not consider doing something for six or nine months ahead; they had to take the long view for years to come. It seems to me this difference between \$60 million and \$75 million is just a matter of haggling for the future of British Columbia. I think we can look ahead farther than 10 years. For instance, the municipality I represent has increased from 16,000 to what we think now is 65,000 in about 12 years. How is a telephone company, or any other public utility, to be confined in its future operations to an amount of time of five or six years? It cannot be done. The people I represent are in rather a difficult position as far as telephones are concerned. We believe the telephone companies are doing the best they possibly can under the circumstances, but in answer to a question of mine, Mr. Hamilton said, and I think he was sincere, orders had been placed for the Dexter exchange to the amount of \$240,000. That is only a very small part of the constituency I represent, and if I can use that as a criterion, I think the amount of money to be spent in Burnaby and Richmond in the foreseeable future would be something in the neighbourhood of \$750,000 to \$1 million. I cannot vote against that amount of money coming to the constituency I represent; and I am not going to. I do take the view on Mr. Green's amendment that it is a point of haggling, and for that reason I intend to vote against the amendment.

Mr. FULTON: Mr. Chairman, I have listened very carefully, as all the other members have, to the arguments presented to the committee both for and against the amount of capital increase for which the company is asking, and I think we should give the company the benefit of the assumption that they are reasonably correct in their estimates that they will require to spend approximately \$100 million over the next ten years. But, giving them that benefit, I do think that we are entitled to look, first, at the actual expenditures they have made in the past few years, where we see, as has been pointed out, they have spent under \$7 million in each of the years 1949 and 1950; so that I believe that this committee, while it might be our view that it should say to the telephone company, "You are not going to need this \$100 million in the next ten years", is entitled to say to them, "You do not need and are not entitled to ask us to authorize capital of more than \$100 million over the next ten years". We are being asked to authorize \$50 million share capital which we have been told will be approximately \$100 million under the present proposed method of financing. The main reason why I think we are entitled to direct our attention to how much capital the company requires—while it is wrong that any member of the committee should suggest it is presumptuous of the committee to deal with that question, and while it is wrong for any member of the committee to suggest that we should accept without further ado the word of the company on that—the reason I feel it is our duty to look into this question of how much capital they are going to require is because telephone rates, we have been told, are based in part, and in a large part, on the return of invested capital. This company is asking at the present time for authority to increase its share capital by a further \$50 million. We have been told before, and we were told again this afternoon that they pay at the rate of \$8 per \$100 share dividend. That figure appears to have been accepted by the Board of Transport Commissioners, and we are surely, therefore, entitled to assume that that rate of dividend is going to be continued in the future, and that the Board will regard it as a proper

rate of return on the invested capital, and therefore the telephone rates are going to be influenced by the fact that the company will maintain that it is entitled to charge rates which will bring in approximately \$8 per \$100 of invested capital. So that we here are vitally concerned with the amount of capital that the company are authorized to issue, and I suggest that we are under obligation to see that the company receives authority for no more capital than they absolutely need, or than they can use in what they themselves have laid before us.

After all, there is another feature to this: It has been suggested that we are not really, perhaps, fully entitled to object that they are contemplating changing from a 40/60 of share capital against bonds, and contemplating making it 50/50. I think we are; because the lower they keep their share capital, then the less gross return must be earned, and that seems to me to have a bearing on the rates they will charge. If we can find in the evidence which has been presented to us a basis for a proposition that they do not need the \$50 million of share capital, but that they could meet their own forecasts of requirements with a lesser sum, I think we are justified in suggesting that they take that lesser sum. I understand that to be the purpose of the amendment which has been moved, and it has been said by Mr. Applewhaite that no basis has been given for the figure of \$60 million. I certainly take issue with him there, because Mr. Green in outlining the arguments in support of his amendment certainly produced figures, and as I listened to them, and recollect the evidence which was given surrounding the figures which he produced, it seemed to me that his arguments showed clearly that with a further \$35 million authorized capital, if the amendment carries, plus the \$5 million or \$6 million which they obtained this year, and the bonds which they could issue against the increase of capital, they would almost certainly be able to get \$100 million. I take the position that this committee and parliament is entitled to require from the company the most careful and even cautious raising of money, because the raising of money by investments in share capital has, as has been pointed out, a direct bearing on the earning they must obtain and, therefore, a direct bearing on rates.

We are not saying, "You cannot have any increase". After all, every time a company has been to parliament for an increase in the amount of capital they are authorized to issue, there has been an increase. I do not think anyone has suggested that the time has come when, if they can show they need an increase, that they cannot get it; but I think parliament and this committee is entitled to insist that this company should be extremely careful not to ask for more than they need or can use.

My impression of the evidence that has been given to us is that there is a good deal to be said, and in fact the weight of the evidence is in favour of the proposition that, even for the requirements they themselves have outlined in the period they have referred to, they do not need the full \$50 million in share capital, but they could carry out their program with the \$35 million figure suggested by the amendment, and for that reason I intend to support the amendment.

Mr. MACDONALD: Mr. Chairman, in endeavouring to assess the remarks made by the witnesses and by various members of the committee in regard to the increase of capitalization of this concern, which does not operate in the city in which I live, I have given consideration to all the evidence that has been submitted. Mr. Brakenridge in speaking to the brief of the city of Vancouver indicated that the reason that his remarks were directed to the committee on the recommendation that was submitted to the Vancouver city council was due to the fact, he claims, that the Board of Transport Commissioners, which examines from time to time, as required, these utilities, has not got powers broad enough to give relief from oppressive practices now carried out by the company. Just recently the Board of Transport Commissioners was under

scrutiny by a Royal Commission. Many representations were heard in all parts of Canada with regard to actions of the Board, its set-up, its function, and the possible continuance of a body whose principle function, or one function, would be to inquire into such concerns as this one here which is asking for an increase in capitalization.

I would like to read into the record, Mr. Chairman, something that I take from page 268 of the Report of the Royal Commission on Transportation, dealing with the Board of Transport Commissioners:

Dr. Simon J. McLean, upon whose recommendations the Board of Railway Commissioners was set up, had this to say in his report to the government in 1902.

Mr. GREEN: Who was that?

Mr. MACDONALD: Dr. Simon J. McLean.

The DEPUTY VICE-CHAIRMAN: May I ask if this has something to do with the amendment before the House for the reduction of the capital from \$75 million to \$60 million?

Mr. MACDONALD: I am sure it has. The company is coming before the committee and before parliament seeking the right to increase its capitalization and you have allowed—you were in the hands of the committee and the committee has allowed—certain witnesses to appear. Certain statements have been made, particularly by one witness and I think a very good witness, but with whom I cannot agree in the light of this report on the Board of Railway Commissioners. It has a great deal to do with the action which I will take in respect of accepting or rejecting this application. I believe this has something to do with what was said at this committee and I believe it should be allowed into the record.

Dr. McLean had this to say:

The experience of both England and the United States points to the conclusion that the most efficient work would be obtained from the commission if the members were appointed on the same tenure as the judges. A life tenure would mean a continuity of regulative tradition. It would also mean that the dignity and security attaching to the life tenure would permit the commission to obtain a high order of ability, which could be obtained only in the case of the shorter tenure by the payment of a salary much higher than Canada could afford to give.

After pointing out that 'no species of regulation can remove all of the complaints that have arisen' and that some of the complaints are 'the outcome of economic forces which are superior to legislative enactments', Dr. McLean stated: . . . 'equipped with an efficient and commanding personnel, the commission will stand as arbiter. It will have a responsibility to both parties'.

I say, Mr. Chairman, that both parties in this instance would be the parties that are represented by Mr. Brakenridge coming to this committee and the utility concern on the other hand. One is fearful that further capitalization is going to mean higher rates but we have the assurance that it only means expansion of their business. It was stated that the Board of Transport Commissioners did not have the power to deal as an arbiter between these two parties. If it was so in 1902, and I could read a little further—

The DEPUTY VICE-CHAIRMAN: I cannot see the relevancy of your quotations respecting the Board of Transport Commissioners to the amendment which is before the House. If there is relevancy all right, but I would like it to apply to this amendment we have before the committee.

Mr. MACDONALD: Well, let me say this. I am satisfied that the royal commission has looked into the question of the Board of Transport Commissioners.

None of the people who made representations to the commission thought that the Board powers did not apply, so the suggestion made by the witness does not have to be considered by this committee in arriving at a decision regarding further capitalization.

I am going to support not the amendment but the request of the company appearing here for this \$75 million. I am going to do so for this reason. I am not one of those who are going to be crepe hangers in this country and I believe that like Alberta, although probably not as quickly as Alberta, British Columbia is going to have rapid expansion.

Some Hon. MEMBERS: Hear, hear.

Mr. MACDONALD: I think that the people here are responsible business people and they are running a good utility. I think they have shown they are running it efficiently because they have expanded probably beyond their fondest hopes in bringing service and stations to the people. If they are going to continue to expand they are going to require money, and I wish them every success with this \$75 million in bringing to every person in British Columbia who wants a telephone the kind of service that will be worthwhile. In so doing they will maintain the good will of the people of the province of British Columbia; the employees who work for them will enjoy good working conditions; and eventually, if they have good will, their business will continue to expand and grow with a province that has such a bright future.

Mr. MURPHY: Mr. Chairman, I am going to be very brief. Like other members of this committee I have appreciated the way the testimony has been given. I think, too, that all members will agree with what I am going to say. A good deal of time has been taken up on this particular application and I am going to express the opinion that while it has been represented constructively on both sides, as members of a committee we have been handicapped. I say that without hesitation, Mr. Speaker—

The DEPUTY VICE-CHAIRMAN: I am only chairman. You are getting ahead of me.

Mr. MURPHY: Perhaps I am just precipitating that appointment.

However, I do think in fairness to members of a committee such as this, on such an important application and where it does take up so much time and where there is opposition to the application, the committee should be furnished with more information. We are dealing here with an application involving the extension of a successful corporation. We have not had an opportunity of going into the background as well as most of us would probably have liked—into the background of the various parent and affiliated companies. The point I am going to make, and I think Mr. Chairman most of us will agree, is that when an application of this sort comes before a committee of parliament where opposition is made, those who do make the argument representing the opposite view should present to the committee more expert testimony. We have the expert testimony here of the president and others in his corporation, including his counsel, and against that we have had an excellent presentation by those who attempted to have the application for increase reduced, I would say, by a reasonable amount. It is really fair in our country to have some control and some check over big corporations, and I see no reason why this corporation could not come back to parliament for such increases as may seem necessary at intervals.

However, the point I was going to stress is that I think it is unfortunate that this committee has had to take up so much time without more expert testimony from those who are opposing the application. I think we are, as a committee, entitled to call in accountants, and those representing the city of Vancouver should have had accountants here to present their views in order that we could more fairly consider and adjudicate the question before the committee.

I am not going into the question of financing or the necessity for increased finances; we all know that is necessary. It is a question of whether the amount they have asked for is more than we think is necessary. I am one of those several members, judging from the opinions given, who feel that any corporation coming before parliament will probably ask for more than they think they are going to get anyway. That is the most natural thing in the world.

I just want to put on the record the mere expression, and I think other members will agree with me, that where applications are opposed expert testimony should be offered.

Mr. DARROCH: I am in accord with the remarks of the last speaker that we have been handicapped and I do agree that if there is going to be opposition to this extent it probably should be better organized in order that we can have information. Speaker after speaker has referred to this presentation by the city of Vancouver—sometimes referred to as representing the city of Vancouver and sometimes the Vancouver City Council.

All through there has been a question in my mind. Have you any official notice of ratification before you that this ever went to the Vancouver City Council? In other words, have you got anything there signed by either the mayor or the clerk or the corporate body of the Vancouver City Council indicating that this was ever considered by the city council?

The DEPUTY VICE-CHAIRMAN: Yes, do you want it now? I think I read this into the record yesterday but I have here a telegram signed by Arthur E. Lord, corporation counsel, City Hall, Vancouver. I read that into the record. There is an answer signed by John T. Dun that the man who is representing them is a parliamentary agent. That is in the record.

Mr. DARROCH: My point is that, before I came down here I had the privilege of spending sixteen years in municipal life, and any municipal body I was ever on never sent a presentation to another body without a letter covering the action the council had taken on it—over the signature of the mayor, reeve, or clerk of the body concerned. I do not think we ever accepted a resolution from another body unless it was so accompanied.

The DEPUTY VICE-CHAIRMAN: I advise you that Mr. Green on his responsibility presented a brief to this committee which also represented the views of the mayor and the council of the city of Vancouver.

Mr. DARROCH: Well may I suggest that this is just from the committee of the council. I never heard it proved that this was considered by the council at all.

Mr. GREEN: On a point of order, Mr. Chairman. That is completely contrary to the facts. You have not only the communication from the corporation counsel, who is one of the senior men on the staff of the city, and is senior to the city clerk—Vancouver hires a corporation counsel which, of course, is not done by very many cities in Canada and Mr. Lord is one of the top notch employees of the council—but you have your additional authorization from him. Mr. Brakenridge has been sent here and has had to pay \$25 to be allowed to appear, and in addition to that each one of the Vancouver members has had a letter from the same Vancouver council setting out what was passed by the council. There can not be the shadow of a doubt of the authority either of Mr. Brakenridge to give evidence or of the stand on this question that has been taken by the city. I do not understand why members should be allowed to cast a doubt on the city's stand as they do.

The DEPUTY VICE-CHAIRMAN: We have accepted Mr. Brakenridge as the parliamentary agent for the city of Vancouver. I do not think we can question his ability or his authority.

Mr. DARROCH: It is not a question of ability at all. The point is that I wonder whether he represents that committee.

Mr. GREEN: He is not representing the committee, he was appointed by the city council.

Mr. DARROCH: It is a report of the special committee, is it not? How do we know that it is not otherwise?

Mr. GREEN: No, it is a report to the city council and approved by the city council.

The DEPUTY VICE-CHAIRMAN: We will accept that.

Mr. MOTT: That is the point, Mr. Chairman. I put in eleven years in municipal office and I can fully agree with Mr. Darroch. I was going to speak on that point last night. I have every respect for Mr. Brakenridge, I have sat on commissions with him and everything else. This nevertheless is still a report from a committee and not of the city council. If it is not we should have an extract of their minutes—we should have here an extract from the minutes of the city council signed by the clerk. We do have a letter from the solicitor mentioning that particular committee and all it mentions is they have passed this. There is no extract from the minutes or any proof to say, in regard to the city council, what action they had taken on passing this.

The DEPUTY VICE-CHAIRMAN: Regardless of any thoughts you may have on this matter at the present time we have accepted Mr. Brakenridge here as a parliamentary agent for the council of the city of Vancouver. The question before us right now, gentlemen, is an amendment asking that the words \$75 million shall read \$60 million. I do not think we are going to get any further ahead by going back and discussing the standing of the witnesses we have already had before us.

Mr. DARROCH: The amendment suggests or asks that the amount be reduced from \$75 million to \$60 million. Now, Mr. Chairman, I have no brief whatsoever for large telephone corporations. I know the situation in my own riding in so far as the municipal telephone corporations are concerned, and the Bell Telephone Company, but I agree that this is neither the time nor the place where we can talk rates for services, and if Mr. Green's amendment had said \$25 million, I would be rather favourably disposed to it, but when he moved it up and said \$60 million—

Mr. GREEN: An increase of \$35 million.

Mr. DARROCH: If you had said \$50 million instead of \$60 million, as it is now, I think I would be inclined to agree with that amendment. I agree with what Mr. MacInnis said this morning when he mentioned that every public utility should come before a regulating body every five years.

Mr. FULTON: Will you move a further reduction then?

The DEPUTY VICE-CHAIRMAN: Order, order.

Mr. DARROCH: I am telling you my own position before the committee, but as it is I think it looks—I may be all wrong—to me to be a matter of saying we are going to ask a little bit less and let it go at that.

Mr. MACDOUGALL: Mr. Chairman, practically all the ground has been covered with respect to this request by the company. I think that I have to disagree with my good friend, Mr. Murphy, when he says that there has not been sufficient evidence presented before this committee. There is only one point, I think, which should be mentioned by me at this time because in the first day that we held sittings of this committee I made certain statements which I quoted from the brief presented by the city council and I asked at that time, when I was cut short from continuing the discussion, that I would be given the opportunity to say something further before the bill came for a vote before this committee.

Now we have had the figure given to us of 30,000 people who are desirous of an upgrading in their telephone service. We also have the figure, which I do not think any of us have any right to dispute, that there are 10,246 applications unfilled for telephone service in the province of British Columbia. Now, we have to agree with what our population increase actually has been. The population increase of just the city of Vancouver—to say nothing about the outlying areas in the province of British Columbia—over the last ten years has been a matter of more than 40 per cent. Statements have been made before this committee with respect to the reasons why the Vancouver city council is opposing the question of this increase of capitalization. It has been stated that they are opposing it because they lack faith in the Board of Transport Commissioners. Now that can be right or partially right. Then again we also are told that there has been talk in this committee that wider powers should be given to the Board of Transport Commissioners in dealing with what Mr. Green has, I think, called the family tree of interlocking directorates. We of this committee all know that Mr. Macdonald was about to quote some excerpts from the Turgeon commission report. There are certain recommendations in the Turgeon report which I think are of vital importance to us now in dealing with that particular aspect of this application, and that, I believe, is common knowledge. I did not get it from the cabinet, but it was stated in the House that we are positively, at the next session of the House, going to deal particularly, amongst many other things, with the report of the Board of Transport Commissioners and I believe that in the report of Mr. Turgeon, that he has recommended—

Mr. GREEN: You said the Board of Transport Commissioners. You mean the Turgeon report?

Mr. MACDOUGALL: The Turgeon report, yes. That report has recommended that the various systems of transportation and communication be modernized and put under one head. It seems to me that that being true the time to deal with that aspect of broadening the powers of the Board of Transport Commissioners, the logical time to deal with that, is when the bill comes before the House. Behind that there is another local aspect, and I am vitally concerned with this case. I happen to represent the riding of Greater Vancouver where the city hall is located. Now, I have to say this to the British Columbia Telephone Company that I on many occasions have been, to say the least, slightly annoyed at the service that has been given on the Fairmont exchange. The Fairmont exchange also serves the city hall and in the case of the city hall it is only natural to expect that the annoyance is many times multiplied than it would be for me or anyone else as an individual. I do say this in all fairness to the British Columbia Telephone Company that I am of the opinion that it would be a very excellent thing for the British Columbia Telephone Company to vastly improve their public relations. The other great operating company there, the British Columbia Electric Company, are constantly on the alert with regard to the city hall to give them every advantage of increased service at all times, and I think much of this dissatisfaction which was expressed very ably by Mr. Brakenridge has arisen largely from the fact that they have become, over a period of time, consistently annoyed and fed up with the service on the Fairmont exchange. Now, I have felt in dealing with this application for increased authorized capital that maybe the British Columbia Telephone Company was lax with respect to the service given on that exchange, and I think that is a fair thing to say—that the exchange service there is not good. I think a great deal of this difficulty could be overcome with increased facilities of service particularly on the Fairmont exchange which directly and indirectly affects the service and morale of the mayor, council and all others on the staff of the city. Now, I would like to say to all those who have not got any facilities with respect to telephone service and those who are consistently wishing for an upgrading, that the best way

that that can be done, in my opinion, is by the passage of this bill as it is now before the committee and, additionally, I might also say that we recognize that the population increase in British Columbia is going to continue possibly at a greater rate than it has during the past ten years; and regardless of the importance of the settler or whether he is a pensioner on a small two-acre lot, telephones today by and large are considered a necessity. The only warning that I would wish to offer in this regard now is that if we as a committee recommend the passage of this increase of capitalization that the British Columbia Telephone Company on their part, I think, must be cognizant of the fact that the rates per station are going to be kept at a level that will make it possible for the ordinary run of the mill telephone station owner to be able to utilize and pay for that service.

I judge from what some members of this committee have said that there is a danger that we are going to have increased rates. On that matter I am no expert, as you all know. But I would say that I think it is very advisable in a corporation such as this, that the management thereof are prepared to take the necessary action previous to the event so that the telephone situation does not come into a head-on collision with the law of diminishing returns.

Therefore, in conclusion, Mr. Chairman, I would suggest to the members of this committee that we pass this bill in its original form without the substitution of the \$60 million as mentioned by Mr. Green in his amendment, and that we pass it on the basis of a \$75 million increase in capitalization.

The DEPUTY VICE-CHAIRMAN: Mr. Shaw.

Mr. SHAW: Mr. Chairman, possibly I should at this time record our views as related to the amendment which is presently before us. I say "our views" because representation on this committee is on a party basis and our party has three members on the committee.

We have not actively participated in the discussions because, as stated by Mr. Macdonald, we are not directly affected by the operations of the British Columbia Telephone Company. We have had no actual experience with the company or with its operations.

In fact, prior to the introduction into the House of the bill, including the proposed intention to request the right to increase the capital by \$50 million, we were not aware of the intention of the British Columbia Telephone Company to take that action.

Moreover, we were not familiar with the fact that the city of Vancouver or any other municipality or any individual was prepared to take a stand in opposition to any contemplated action on the part of the British Columbia Telephone Company.

In short, all the information which we have been able to acquire has come through the debates in the House of Commons on the bill, when it was introduced, and during the deliberations of this committee.

I feel therefore it is quite proper for me to say that we face this issue without any preconceived ideas at all and certainly without prejudice one way or another. In fact we feel very much like members of a jury. We have refrained from active discussion up to this point because our purpose was to acquire all the information which we possibly could.

Having said that we are not directly affected in my province by the British Columbia Telephone Company, and not having come into direct contact with it, I must also hasten to say that we must make a decision on this matter.

We are members of parliament and we are members of this committee and we are dealing with something which affects the welfare of tens of thousands of our fellow Canadians, even though those fellow Canadians may reside in the Province of British Columbia.

The British Columbia Telephone Company is a private company. I have taken the position many many times that the private enterprise is a desirable form of organization provided that the private enterprise does not indulge in activities which are detrimental to the public welfare.

Secondly, the British Columbia Telephone Company exercises a virtual monopoly. However, a monopoly in itself need not be bad. But I would say two things to the company or to any company occupying the position of a monopoly. There is definitely a greater responsibility resting upon the shoulders of that company because it is a monopoly than there would be if it were faced with effective competition in the same field.

In our view it is absolutely imperative that when a company does function as a monopoly there should exist somewhere some body with unrestricted authority to examine into every aspect of that company's organization and operation.

Now we are satisfied from what we have learned that the Board of Transport Commissioners does not presently have that authority. In fact we are convinced that the only body which does possess that authority is the Parliament of Canada.

In reference to what Mr. Macdonald and Mr. MacDougall have said, it occurs to me that from the very first reference to the Board of Transport Commissioners there has been some attempt to establish the fact that someone somewhere has reflected upon the ability, the honesty, and the sincerity of the Board of Transport Commissioners. But that has never been the case so far as we are concerned.

I heard Mr. Applewhaite state very cleverly—and I hope you will not take that word in the wrong sense.

The DEPUTY VICE-CHAIRMAN: I do not think you have the right to say that, Mr. Shaw. I do not think there has been any reflection on the Board of Transport Commissioners in this committee. On the contrary, I think it has been pointed out that they have done the job that they had to do. The question before us is that of a reduction from \$75 million to \$60 million.

Mr. SHAW: Mr. Green has moved that the \$75 million be reduced to \$60 million. I consider that the \$75 million is the heart of the bill. Therefore the motion to reduce it to \$60 million has also become the heart of the bill. I did not say that the committee or anyone has cast reflections on the Board of Transport Commissioners. I said that it occurred to me that an effort had been made which could have had the effect, if certain witnesses had given certain answers, of casting a reflection upon the honesty, integrity, and sincerity of the Board of Transport Commissioners.

As far as we have been able to hear the evidence, there has not been any bad faith on their part. But what we have said or heard the witnesses say is, that their activities have in certain respects been circumscribed by virtue of the conditions under which they operate. We feel that the Board of Transport Commissioners does not presently have the authority to go into the operations of this company and make the specific reference which we feel they should make. The Public Utility Commission of the province has no authority over the operations of the company.

We feel therefore having regard to this fact, that this company or any similar company—or any company in a similar position—should be compelled to appear before parliament periodically. We think there should not be too great a time lapse in between those periods at which time they appear.

I think that upon such an occasion every aspect of the company's operations should be gone into thoroughly.

Here is where I disagree most vehemently with Mr. Applewhaite. He suggested that we were simply considering an increase in authorized capital of the company from \$25 million to \$75 million, and that we were not concerned with the contracts between this company and a subsidiary company and so on.

To me that is an unsupportable argument and I think it weakens his case very much. In other words, as long as I am a member of this committee or belong to any body, and some one comes to me for authority to acquire authority to receive any sum of money, certainly the very least I can do is to find out what they have done with the money which they received previously, and what they intend to do with the money which they hope to acquire as a result of this authorization.

We have been advised by representatives of the company that they have rather clearly established their financial requirements for each of the next ten years.

Of course, such factors as the availability of materials, or the availability of manpower and the costs of these things will have a very important affect upon the ultimate operations during any subsequent year.

But our conviction is that having regard to all the relevant factors, the company cannot conceivably spend what it has estimated to be its expenditure for the next year, or the year after. In fact, I am convinced personally that there is going to be an acute tightening up as far as materials and manpower are concerned.

Now, the company has put forward several arguments: that the population of British Columbia is expanding, that the province is undergoing an industrial transformation; that certain of this equipment has become or is rapidly becoming obsolete; that there is a heavy demand upon them for new services.

All that is fully appreciated. Exactly the same situation applies nearly everywhere, even in my province, Alberta. Do not press me to say too much about our own telephone system there, which is publicly owned, because if you did, you would be putting me on the spot. But as I say, we fully appreciate that these problems are not only problems confronting the British Columbia Telephone Company, but they also confront my own province which operates the telephone system there.

Mr. Green in moving for a reduction in the authorized capital, as far as we can determine, has made no move to reduce the amount of money which this company may spend next year, or the year after, or the year after that, up to a certain date.

We take it from this amendment that the British Columbia Telephone Company has the authority to come back to parliament one year from now, or two years from now, or three or four or five years from now, whenever they require an increase in their authorized capital.

If Mr. Green were to say—or if any other member of this committee were to say or to move an amendment having the effect of saying: "No, you cannot spend \$10 million or \$12 million this year, or even next year, I think that all you can spend is \$5 million; therefore you will be given only \$5 million", that would be another thing, with respect to which I would have to hear much more evidence than I have heard up to this present time.

But Mr. Green does not say that. What he says in effect is: Go ahead, spend the amount of money that you contemplate spending next year, and so on. And then you can come back to parliament; and if parliament sees fit, it will grant you authority to increase further your capitalization.

Let me emphasize that in our opinion the company can continue to spend what it estimates it is going to require next year and so on.

My colleagues and I feel that having regard to all the factors involved, the amendment is appropriate. But I think that if we were moving it, it would not be \$60 million, it would be less. In short, we think they should come back within five years.

Under the \$75 million requested, if there is a tightening up as far as the availability of materials and manpower is concerned, it may be fifteen years before we ever see them again; with no other regulatory body having full

authority to go into all their operations, I say to you now, without any personal prejudice, that I hesitate to give the company the authority to increase their capital, to 75 million dollars at this time.

The DEPUTY VICE-CHAIRMAN: Mr. Jones.

Mr. JONES: Mr. Chairman, I am glad to be able to speak on this private bill. Yesterday the city of Vancouver went to considerable expense to send a delegate down here to place their point of view before this committee. I checked on the attendance during the time that evidence was being given and it averaged 15. The day before, Mr. Hamilton made a very appealing case on behalf of his company. The average attendance during his presentation was 17. But today when we come to take a vote, we have 35 members present. Therefore the majority of the members present do not know what it is all about. So I would respectfully suggest that the vote be not taken until the minutes of evidence have been printed and handed to every member and that he be asked to read the evidence submitted for and against the case which is before us. Otherwise he cannot vote intelligently. Over half the members will not know what they are going to vote on.

The DEPUTY VICE-CHAIRMAN: Order, gentlemen. Order! Is the committee ready for the question? Mr. Byrne.

Mr. BYRNE: Mr. Chairman, I think the present by-play is an indication why so many members have chosen to attend today. It indicates that this committee has become very interesting indeed.

I have listened very carefully to those who are opposing or are supporting the amendment to this bill, in particular to Mr. Green, Mr. MacInnis and Mr. Herridge, all of whom, of course, are from British Columbia; and I may say I was very much impressed by some of their observations. However, I have found there is a discrepancy in the arguments that they presented today as against arguments that have been presented in the House and elsewhere on a similar question. Mr. Green feels that the depreciation allowance that the company has been setting aside is not being spent in the expansion of their organization.

Mr. GREEN: I did not say that at all.

Mr. BYRNE: 2½ per cent depreciation allowance, you felt it should be spent—

Mr. GREEN: No, I said some of that could be spent for the development program, and I think I mentioned the figure of \$1 million a year.

Mr. BYRNE: That is precisely the meaning on that, that this money should be spent in the way of expansion. On the other hand, Mr. Herridge, who supports him in this contention, has a different interpretation of the way private companies are expanding today. On June 5th in the House of Commons at the time he moved an amendment to the Excise Tax Act he felt that the free enterprise corporations were spending too much money, that is, undeclared dividends, in the matter of expansion—that is, in the way of capital expansion.

Mr. HERRIDGE: On a point of privilege, I was supporting Mr. Green on what I considered were his valid arguments for the reduction of the capital asked for by the company because he believed they should come before this committee periodically and reasonable times.

Mr. BYRNE: However, they are supporting the amendment, and no doubt thinking with the same mind. One member has already indicated it appears to be a government bill because there are so many Liberals here. Liberals are inclined to think progressively, and think alike. Mr. Herridge has said that free enterprise corporations should not spend their accumulated dividends, that is, undeclared dividends, in the way of expansion capital. Everyone here realizes that the capital expansion is as important to the individual, that is, to the wage

earner, as the actual wages being paid. If capital expansion is not made, we cannot continue to enjoy a high standard of living, or improve it. Mr. Herridge said: "If companies were required to carry on their expansion as a result of raising new capital, the wealth would at least to some extent be more diversified and in a greater number of hands." He is in the position here of voting against a company which has come before this committee and legitimately asked for an expansion of some \$50 million.

I have very high regard for the members of the Vancouver city council, particularly for those whom I know intimately. However, I do not feel that the Vancouver city council do represent the opinions of the entire province of British Columbia. Vancouver, after all, is more or less the servicing centre for the whole industrial area of British Columbia, and they do have a fairly good facilities as far as telephones are concerned. I know they do have automatic telephones, and so on, whereas we in the hinterland are very much in need of improved telephone service.

During the Easter recess I reported to my constituency, and Mr. Herridge, I recall since my return, read a portion of that speech which I made. I just forget what it was, but at least he knows I made a report in which I said I was prepared to support the bill to increase the capitalization of the British Columbia Telephone Company by \$50 million, that is, up to \$75 million, and that appeared in all the local papers including the Nelson News, which has a very large distribution. Since that time, and since returning, I have had no objection from any of the municipalities, or any other body—

Mr. GREEN: May I ask a question?

Mr. BYRNE: —opposing my attitude respecting this increased capitalization.

Mr. GREEN: May I ask a question on that: Many of your telephones are under the Kootenay Telephone Company which has nothing whatever to do with this company?

Mr. BYRNE: A subsidiary company.

Mr. GREEN: It is an affiliated company, and it is not asking for an increase in capital. The bulk of your people are not interested on way or the other.

Mr. BYRNE: It will help the entire system, and we feel it will benefit us immeasurably in British Columbia as a whole. Now, we have on record, within the next one or two years, at least, a billion dollar expansion, that is, capital expansion in British Columbia. Now, a billion dollar expansion is a large sum of money, and that means new installations which will have to be served by telephone. A proposed investment of \$10 million per year in telephone service is less than one per cent of the proposed expansion for British Columbia within the next year or two. Now, the company has already indicated that, considering the expansion that has taken place, they have spent some \$6 million or \$7 million, and I cannot see where they will not be needing at least \$10 million for the next six or eight years.

The necessity for coming back here is a good one but, after all, I think that with a province like British Columbia which is looking ahead in the terms of a billion dollar expansion, ten years is not too far ahead.

Mr. HERRIDGE: Mr. Chairman, I first of all want to say that Mr. Byrne should know the rules of the House governing the rules of the committee, and it is not in order for a member to read from a debate in the House at a committee. I am not objecting to new capital, but I am not in favour of voting for unnecessary capital.

The DEPUTY VICE-CHAIRMAN: Are you ready for the question?

Before we take a motion on this, I think there are one or two things that are in order for me to say: I think the objection made by Mr. Herridge should have been taken when the reading took place, and therefore, because you did not take it at that time, you are now too late.

Mr. HERRIDGE: I did not wish to interrupt.

The DEPUTY VICE-CHAIRMAN: Mr. Jones, I do not think I can say which members shall or shall not vote as long as they are members of the committee, and I think the reference to some members being here at some time and not being here at another is irrelevant, and everybody here should be allowed to vote, and will be allowed to vote.

Mr. JONES: I was only asking that they read the transcript of the evidence.

The DEPUTY VICE-CHAIRMAN: The motion before the committee is: It has been moved by Mr. Green that clause 1 section 2, in line 15, be amended by deleting the words "seventy-five" and inserting the word "sixty" therefore. All those in favour of this amendment shall please rise.

Mr. GREEN: Could we have a poll vote?

(A poll vote was taken).

Mr. GREEN: Mr. Chairman, you cannot vote.

The DEPUTY VICE-CHAIRMAN: Yes, I can: Standing Order 106: "All questions before committees on private bills are decided by a majority of voices including the voice of the chairman."

The vote is 24 nays, 11 yeas: therefore I declare the amendment lost. Is it the pleasure of the Committee to adopt subsection 2?

Carried.

The DEPUTY VICE-CHAIRMAN: Shall we adopt the title?

Carried.

The DEPUTY VICE-CHAIRMAN: Shall I report the bill as amended?

Carried.

Mr. McIVOR: Mr. Chairman, I would like to move a hearty vote of thanks to the witnesses for the city of Vancouver and for the telephone company, for standing up before this committee and answering the questions. It was quite a test, and they showed they are men fit to take their place anywhere.

Mr. GREEN: Mr. Chairman, arising out of the consideration of this bill there has come a very clear cut question with regard to the lack of adequate control over the contracts between the affiliated companies or at least the companies affiliated with the British Columbia Telephone Company. I understand from the evidence that a somewhat similar situation exists with the Bell Telephone Company. I am therefore going to move, Mr. Chairman— —

Mr. APPLEWHAITES: I am not rising on a point of order, I would just ask if we have agreed to report the bill or is this discussion on the title of the bill?

The DEPUTY VICE-CHAIRMAN: We have agreed to report the bill.

Mr. GREEN: I move that the committee recommend that consideration be given to extending the jurisdiction of the Board of Transport Commissioners to enable them, in approving or revising tolls or charges of a telephone company, to investigate fully and take into account transactions relating to companies having inter-corporate relationship with such telephone company.

The DEPUTY VICE-CHAIRMAN: Order, please. Last evening the question of making a recommendation to the House to the effect that the powers of the Board of Transport Commissioners be enlarged was raised by Mr. Green and by Mr. Herridge. I reserved any decision I might make, and on a previous occasion I ruled that the subject of amending the charter of the company was out of order. I quoted at that time from Beauchesne's their edition, citations 537 and 785. I have since had an opportunity to look at the authorities and, for the benefit of the members of the committee I shall again read citation 537.

A committee can only consider these matters which have been committed to it by the House.

A committee is bound by, and is not at liberty to depart from, the order of reference.

In the case of a select committee upon a bill, the bill committed to it is itself the order of reference to the committee, who must report it with or without amendment to the House.

When it has been thought desirable to do so, the House has enlarged the order of reference by means of an instruction or in the case of a select committee upon a bill by the committal to it of another bill. Mandatory instructions have also been given to select committees restricting the limits of their powers or prescribing the course of their proceedings, or directing the committee to make a full report upon certain matters.

Sometimes a committee may have to obtain leave from the House to make a special report when its order of reference is limited in its scope.

I would also bring to the attention of the committee a ruling made by Speaker Lemieux, dated June 10, 1928, wherein he deals with a motion for concurrence in a report of a standing committee, and I quote from that ruling:

The motion is not in order, nor is the report, because a committee can take cognizance only of matters which are referred to it. The matter which is the subject of recommendation in this report was not referred to by the House. I rule that the motion is not in order.

I would point out to the committee, however, that under citation 537 it is competent for the committee to obtain leave from the House to make a special report when its order of reference is limited in its scope. I am completely in the hands of the committee in this matter. From the authorities I am obliged to rule that any recommendation of this nature is out of order, but, is it the wish of the committee to ask leave to make a special report to the House in this matter? That is where the question is at the present time.

Mr. GREEN: Mr. Chairman, I think on the basis of that ruling it would be in order for the committee to request instructions of the House, and request power from the House, to consider this question. Therefore I would move that the committee request instructions to consider the question of extending the jurisdiction of the Board of Transport Commissioners to enable them, in approving or revising tolls or charges of a telephone company, to investigate fully and take into account transactions relating to companies having inter-corporate relationship with such telephone company, and to make recommendations with respect thereto.

Now, a motion of that kind would clearly be in order. There can be no question but that here we have something which has to be faced and it is very appropriate that it be faced by this committee at this time, when we have actually an example before us of the need for such action. It is also particularly appropriate at this time because at the fall session there is to be consideration of the whole transportation question and then there would be an opportunity to have necessary amendments made to the Act which governs the Board of Transport Commissioners.

Mr. Lett read from the findings of the Board of Transport Commissioners on this service contract a statement which shows clearly that they considered that they have not the authority now to deal with this question. It is under the heading: "service contract". They say:

The only matter we have to consider in my opinion is whether a reasonable and necessary service is obtained from the expenditure incurred by the company—and then they go on and this is the key sentence: "It is suggested that the payment of money by the company to Anglo Canadian Telephone Company far exceeds the amount paid in turn by that company to the affiliates who actually provide the service. This, in my opinion, goes far beyond the Board's jurisdiction.

In that case, as you know, the B.C. Telephone Company had to pay \$181,000 to Anglo Canadian under this service contract. Anglo Canadian had no facilities to supply that service but the argument was that the parent company above Anglo Canadian could supply it—yet Anglo Canadian was only charged \$3,100 by that parent company.

Now, I do suggest that the need has been shown very clearly for consideration of the powers of the Board of Transport Commissioners. Many of the members of the committee who voted against my amendment on the bill have actually spoken in support of an action such as would be covered by the motion I am now placing before the committee, and I would hope that it would be possible to get unanimous support for a recommendation of this kind.

Mr. HARRISON: I wonder if I could ask a question before you present that, Mr. Green? Would you be prepared to change that slightly to include all companies operating under charters and not just telephone companies?

Mr. GREEN: It reads that way now.

Mr. HARRISON: In that case I am prepared to support it.

Mr. GREEN: It reads: that the committee request instructions to consider the question of extending the jurisdiction of the Board of Transport Commissioners to enable them, in approving or revising tolls or charges of a telephone company, to investigate fully and take into account transactions relating to companies having an intercorporate relationship with such telephone company.

Mr. HARRISON: That is just telephone companies?

Mr. GREEN: And to make recommendations in respect thereof.

Mr. FULTON: That is just to apply to telephone companies? Would you not want to make it to include all companies?

Mr. GREEN: We are dealing at the moment with the telephone companies. Now, the situation we are dealing with concerns the power of the Board of Transport Commissioners.

The DEPUTY VICE-CHAIRMAN: Mr. Green, may I have a copy of that amendment?

Mr. GREEN: I was not sure that the same conditions apply with regard to railways and therefore I had restricted my motion to telephone companies, which is the question before us.

Mr. MACINNIS: Mr. Chairman, might I say just a word in explanation of this motion? It is not directed at any particular company or companies but would apply, if it is finally made into law, to all companies whether railways or other companies coming under the jurisdiction of the Board of Transport Commissioners where conditions of this kind apply.

Mr. LAING: Mr. Chairman, I would like to say a word on this resolution. I would support it because it is in line with the statements I made the other day when I pointed out, as a result of the evidence given by Mr. Brakenridge whom I consider represents the views explicitly of the council of the city of Vancouver, that there is a very unhappy situation when there is apprehension in the minds of civic leaders of the third largest city in Canada that they have not had what they consider full justice in their previous representation to the Board of Transport Commissioners. My friend from Edmonton has indicated that suggestions have been made that the Board of Transport Commissioners be strengthened. I would say that in the case of a public utility company appearing before the board they should meet a board which is equipped with legal assistance, with engineers, with financial authorities of a calibre and stature not less than those that accompany the firms that go before the Board. I think there are two ways of achieving what Mr. Green has suggested, one is to take this up on third reading in the House and the other is to accept the motion he has made.

The DEPUTY VICE-CHAIRMAN: Order, gentlemen.

Mr. LAING: I think this will bring home more forcibly to the Board of Transport Commissioners the desire of the people's representatives that when the purchasers of these various services make an appeal through their collective representatives they want the broadest possible investigation made on every application.

The DEPUTY VICE-CHAIRMAN: Before this debate goes any further, I think there should be a ruling as to whether the request is in order or is not in order. We have been given a bill to report on, and I find in Beauchesne, second edition, at section 621, the following:

621. A Committee can only consider those matters which have been committed to it by the House. If it be desirable that other matters should also be considered, an instruction is given by the House to empower the committee to entertain them.

Again, in Beauchesne, the third edition:

537. Sometimes a committee may have to obtain leave from the House to make a special report when its order of reference is limited in its scope.

I think, from those two citations, it would be considered that this request by the committee is in order. I believe we can make this request to the House and be perfectly in order. Therefore I rule the motion in order, and we will go on with the debate.

Mr. HARRISON: I still do not feel that the motion made by Mr. Green is adequate enough to get the support of all members who are inclined to give it. In the course of this debate there should be some explanation of the reference to the Board of Transport Commissioners. I think that that motion should be so reworded that it will cover definitely all companies that operate under a federal charter who will come before that Board of Transport Commissioners, so that they can fully investigate all those companies. That is for the protection of the public and the country generally. You said, Mr. Green, on several occasions, that the British Columbia Telephone Company had only paid out \$3,150 for services amounting to some \$181,000. I am sure there would have been no more discussion of that in this committee if the members had fairly well been assured that the companies had got that much service. There are not many companies that are giving away \$181,000 and receiving only \$3,150 in return.

Mr. MACINNIS: They put it in one pocket and take it out the other.

Mr. HARRISON: That may be, but I think there is some reasonable explanation for that. I know there is an explanation for it, and it would have been desirable that that explanation should have been given so that it will be in this report; because the average man reading this report afterwards is going to take those figures and get a wrong impression of the company's operations. I think possibly the company should have answered that allegation definitely at this sitting. The work of this committee as it appears in the evidence, will be later read in the report, and that fact will go over the head of the average citizen. He cannot look at figures such as \$3,150 paid for services worth \$181,000 and get a correct impression, for that is not the case. I wonder if Mr. Applewhaite, who is sponsoring the bill, would at this late hour just give us an explanation of that.

Mr. HERRIDGE: Mr. Chairman, speaking to the motion made by Mr. Green, I support what obviously he intends to do but I wish he would widen the motion. I believe this situation has been brought out because of the discussion on the British Columbia Telephone Company bill. Therefore, Mr. Chairman, I would like to amend Mr. Green's motion so that it will apply to all companies.

Mr. DEWAR: Under the Board of Transport Commissioners.

Mr. HERRIDGE: Yes.

Mr. MURRAY: I wonder if there is a shift in the responsibility of the city of Vancouver to the federal authority and also by the provincial legislature of British Columbia. If there is dissatisfaction with this company it would be the easiest thing in the world to buy this company.

Mr. GREEN: Do you think they should?

Mr. MURRAY: Still, it is a matter of interest to British Columbia which should be thrashed out there and not placed before a committee here to determine. The city of Vancouver has absolute authority to regulate the company in so far as placing its poles and conduits on city streets, is concerned, and in the awarding of certain franchises, and so forth. The province of British Columbia has absolute control over property and civil rights and therefore would have control over this company despite the Board of Transport Commissioners.

Mr. MOTT: Mr. Chairman, is it possible for us, or would it take too much time, to find out just what is the authority of the Board of Transport Commissioners? The point is: we heard from the engineer, Mr. Brakenridge, of Vancouver, who represented Vancouver, that the powers of the Board of Transport Commissioners were not wide enough.

Now, do we know as a matter of fact that that is the case. Is there any way of our knowing how wide the authority is, how much it does take in, so far as the Board of Transport Commissioners is concerned?

The DEPUTY VICE-CHAIRMAN: I am glad you have asked that question, Mr. Mott. There are one or two things which have not been brought out quite as plainly as they should have been in regard to this motion and the suggested change by Mr. Herridge. Mr. MacDougall started in this afternoon by indicating that the Turgeon Commission has some recommendations before the government which will probably be acted upon at this parliament. I expect that the Board of Transport Commissioners' responsibilities and duties will be gone into at that time, and that they will be given further instructions as to what is necessary. Now the motion which has been put here today may have some weight. It may bring to the government a certain atmosphere that has not yet been brought to it. I do not know. Is it desirable that we should send this motion through or is it more desirable that we should wait until that Turgeon Commission report is before the House of Commons?

There will certainly be a committee on that report and I would not be surprised if some of our members were members of that committee. Perhaps we should take it up at that time.

As to this motion before us now, has the amendment been approved? Do you accept the suggestion of Mr. Herridge, Mr. Green?

Mr. GREEN: If it is the wish of the committee that all companies should be covered with regard to the question that the chairman put, I accept it.

The DEPUTY VICE-CHAIRMAN: The motion has not been put yet. Is it the desire of the committee that this motion by Mr. Green has changed which is now before the committee be added as a rider to our report?

Mr. APPLEWHITTE: No, Mr. Chairman. I think there should be a separate report.

The DEPUTY VICE-CHAIRMAN: I should say: Is it the desire of the committee that we make a separate report? Perhaps we should decide on that point now.

Mr. MACINNIS: On a point of order, Mr. Chairman: We are not dealing with this motion or making a recommendation in this committee. We are asking simply for instructions to be followed to discuss the matter of making recommendations. We are not passing any substantial thing tonight. We are only asking for instructions from the House to allow us to discuss something. Is that not it?

The DEPUTY VICE-CHAIRMAN: I shall now read the motion: It is moved by Mr. Green and seconded by Mr. Herridge:

That the Committee request instructions to consider the question of extending the jurisdiction of the Board of Transport Commissioners to enable them, in approving or revising tolls and charges of a company under its jurisdiction to investigate fully and take into account, transactions relating to companies having an intercorporate relationship with such company, and to make recommendations in respect thereof.

Mr. MURRAY: Mr. Chairman, are we not in effect stating to the government that they should do thus and so?

Mr. GREEN: No, not at all.

The DEPUTY VICE-CHAIRMAN: Order, order. Kindly proceed, Mr. Murray.

Mr. MURRAY: Is it not reasonable to say that what we are about to do is to tell the government what we think they should do with regard to the Board of Transport Commissioners? Have we any authority to do that?

The DEPUTY VICE-CHAIRMAN: No, we are not doing that at all. We are simply asking for further instructions.

Mr. MURRAY: We are asking for permission to discuss the matter?

The DEPUTY VICE-CHAIRMAN: That is what we are asking for.

Mr. MURRAY: We are setting out to advise the Board of Transport Commissioners and we have not got any such right.

The DEPUTY VICE-CHAIRMAN: Is it the wish of the committee that this motion be adopted? All those in favour will say "aye". All those against will say "nay". In my opinion the "ayes" have it.

Shall we now adjourn to the call of the chair, since we have completed this matter? Before the committee adjourns I should like to say that I do not expect that I shall be in the chair much longer. I do want to say "thanks" to the members of the committee for their cooperation and assistance in this job.

This has been my first attempt to preside over a committee. I have enjoyed it, and have enjoyed listening to the legal arguments, to the geographical sketch that we got from our friend, Mr. Herridge, and to all the questions which we discussed here. It seems to me that we got along quite harmoniously and I do thank you once again for all your assistance.

Mr. GREEN: Let me say, Mr. Chairman, that in my opinion you have done very well.

